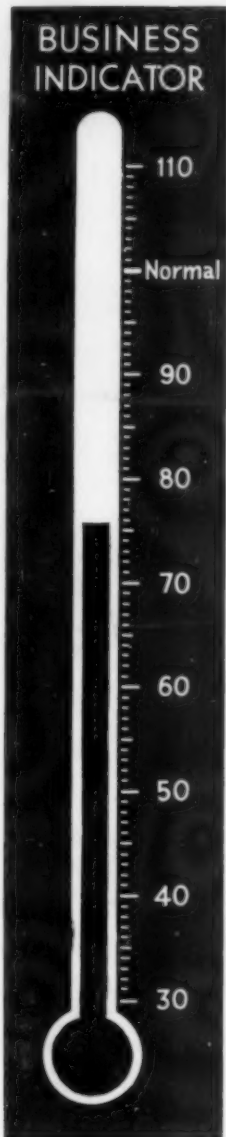


JUL 27 1931

THE

JULY 29, 1931

# BUSINESS WEEK



Despite deepened disappointment regarding the default of decisive measures to meet the European crisis, and increased anxiety about its outcome, there are signs of slow, slight, but significant strengthening in the domestic business situation . . . . The stock market and business opinion are apparently responding to these symptoms of domestic convalescence rather than to the depressing influence of foreign factors . . . . The London Conference's failure to offer more than a moral appeal to private creditors to recognize the de facto moratorium on Germany's foreign debts, the run on Britain's bank reserves forced by French financial politics, and the consequent constriction of European credit, overshadow encouraging indications of improvement in the outlook at home, but involve no necessary catastrophic consequences for this country . . . . Industries closest to the consumer, and usually earliest to recover, are responding strongly to replacement demand at prevailing low prices, and the rapid rise in electric power production since early June reflects diversified increase in productive activity . . . . Commodity price levels have shown stability for six weeks . . . . Second quarter earnings reports reflect increasingly successful readjustment of corporate operations to new conditions . . . . The construction, equipment and correlated industries still lag for lack of stimulus of easy investment markets and business initiative; but persistent, large-scale pressure toward lower long-term domestic money costs, through aggressive Federal Reserve open market policies, could quickly correct this situation and speed recovery.

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# What's In This Issue —And Why

## The World Crisis

EUROPE is in a panicky frame of mind and the rather trivial results of the London conference did nothing to help build confidence. And London lost \$100 millions in gold. (page 5)

GERMANY'S financial crisis is dramatic, is well advertised. But her plight is not unique. Every nation in the world suffers more or less from the same financial disease. (page 8)

## The Biggest Load

GREATEST of all burdens carried by the nations are their public debts; the third part of *The Business Week's* survey of national finance compares their weight. (page 34)

## Wheat

THE Farm Board, acquiring more storage space, is likely to control the entire crop; merchants and implement dealers are accepting the grain in lieu of money. (page 18)

## Labor

WORRIED by wage cuts and growing unemployment, apprehensive over the winter ahead, organized labor demands government action. (page 27)

THE American Legion works to speed up public works nationally by clearing away local obstacles to local projects. (page 28)

## Shoes

FOOTWEAR makers for the masses are doing nicely, thank you, and they owe it all to the demand for summer styles. Those white shoes can't be worn in winter, so fall prospects are bright, too. (page 12)

## Railroads

HEARINGS for the roads are over. The I.C.C. has advanced the hearings of the opposition to Aug. 10. Perhaps the roads will get a temporary

increase—for better or for worse; Washington seems to think so. (page 15)

## Air Transport

IN the West, Mr. Cord's company has started an air rate war which brings prices down to railroad-Pullman levels; competitors have filed complaints with the California Railroad Commission. (page 16)

IN the East, the Newark Airport, which serves New York, has this year accounted for \$1 million worth of travel which the railroads would have had; the roads counter with air-conditioned trains and better service. (page 17)

## Books

O. H. CHENEY'S economic survey of the book business, ready in September, will answer many publishing questions, show why Americans buy only 1 book a year. (page 22)

## Tires

MANUFACTURERS, mail order houses, and service stations scramble to cash in on the richest replacement market at the lowest prices in years. (page 10)

## Mail Order

ALL the big houses feature lower prices than ever; all offer new lines. Some see a revival near, with crop money bringing in the postponed orders. (page 13)

## Chain Stores

SALES are about where they were; lowered prices account for increased tonnage and decreased dollar volume. (page 14)

## Russia

FRANCE joins the rest of the world in a bid for Soviet business; Russia rotates its orders, bargains for credit advantage; Moscow comes to a realization of the importance of individual incentive. (page 22)

## Cement

CHOOSING its new chief from without, the industry plans to halt troubles within. (page 11)

# They warned him to change his specifications

A SUCCESSFUL maker of precision tools decided to branch out and manufacture oil burners. At that time the industry was in a struggling, formative state. Cut prices and free service were popular sales lures.

The manufacturer's associates looked at the plans for the new burner. "All that Copper and Brass? It will cost too much—use something cheaper," they warned. "Competitors will undersell us right and left." But they were wrong.

Specifications unchanged, the burner was marketed at an unfavorable time. Cheaply-built machines had made the public wary. The back-fire of free service was devouring dealer's profits.

Despite this, the new burner was an immediate success. Its performance met with wide acclaim. Owners were eloquent boosters. Sales increased. The business prospered—is a leader today.



Competitors were not long in discovering that for some uses Copper and Brass actually lowered production costs because of their easy machinability. Sturdy Brass and Bronze castings and forgings prolonged the life of the machines. Copper tubing abolished numerous fittings. Copper and Brass feed and return lines eliminated rust and reduced service calls.

This story has a moral for every manufacturer. In your business, substitutes for Copper, Brass and Bronze may endanger the performance of your product. They may endanger your profits. Why experiment? Insist upon metals that have been in use long enough to prove their dependability.

If you have a problem regarding the use of metals in the manufacture of your products, tell us about it. We will gladly cooperate with you in the application of Copper, Brass or Bronze to your specific requirements.

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# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending July 25, 1931

## Meager Result London Achieved Leaves Europe's Nerves on Edge

**Panicky capital now running away  
from Britain and the pound depreciates**

EUROPEAN NEWS BUREAU (*Radio and Cable*)—With ominous acceleration, European conditions are moving toward financial crisis. Huge movements of capital are taking place, seeking security.

To the "run on Germany"—momentarily and arbitrarily checked by German exchange restrictions—has this week been added a still incipient but in implication a far more serious run on England. The Continent is withdrawing its London balances, wholesale. Sterling, still the world's greatest medium of exchange, has already crumbled well below the gold point. During the week \$100 millions in gold drained from the Bank of England, bringing the British reserve to within \$35 millions of the nominal "minimum." On Thursday the Bank was forced to raise its rate from  $2\frac{1}{2}\%$  to  $3\frac{1}{2}\%$ .

### World Capital Yields

President Hoover's statement, "Fundamentally, nothing in economic conditions justifies these movements" is unquestionably correct. But it does not alter the fact that, justified or not, world capital is yielding under the long depression strain; that something must be done—and quickly—to avert the long-feared financial stampede.

Unquestionably again correct is the President's contention that only prompt, forceful, but temporary expedients are necessary to hold existing conditions stable and to avert incipient panic. But neither the President's proposal nor the pitifully meager results of the London conference have suggested any concrete measures, even temporary, beyond measures which already and inadequately exist; have proposed no eventual basic remedy to which the world can look with new hope.

The gravity of the immediate outlook need not be exaggerated but must be recognized. The course of further developments is now contingent upon

whatever further action will be taken but there is no indication whatsoever of what further action may be taken, when, or by whom.

### London Confident

Fortunately, the gravity of the impending situation is not yet popularly realized. Europe is tense but calm, clinging to the faith that, of sheer necessity, a way out must, and consequently will, be found. Notably, sentiment in London has remained confident notwithstanding pressure.

There is still time for effective action. Most effective, and a measure which can be taken promptly, would be action by the Federal Reserve and by the Bank of France in support of sterling, either through a credit to the Bank of England or by direct market intervention. This would have the double effect of steadying sterling against private withdrawals and of enabling England to maintain, instead of being forced herself to draw upon, her own foreign deposits. Such action would supplement and give focus to President Hoover's cry "Hold everything!" till more fundamental measures can be taken.

### Germany's Alternatives

Meanwhile, recognition has become general that choice between alternatives must deliberately be made or will be made by circumstance. Either—

(1) Reparations must be scaled down until commensurate to the foreign income which Germany can earn at lower world price levels and with which Germany can not only pay but transfer reparations; or

(2) German sources of foreign income (primarily world markets for German exports) must be enlarged (at sacrifice of domestic trade) commensurately to the amount of reparations which Germany must pay.

In an otherwise deeply somber situation, there is a fundamental factor of

improvement. That is the change which has come about at Paris and at London in Franco-German relations; more specifically, between that part of Germany represented by Chancellor Brüning and that of France represented by Premier Laval. An economic entente between the two countries has become a not altogether intangible possibility if one which will be approached by both parties only with the greatest caution. In such an entente, and only in such an entente, rests the solution of Europe's major problems, economic consolidation, political conciliation, disarmament.

Paradoxically, at the moment when Europe is nearer outright economic catastrophe than at any time since first recovery from the war, Europe, if only by the very force of the crisis with which it is faced, has approached more nearly to reconciliation of its differences than at any time since the note of conciliation was first struck at Locarno and then again dissipated by recurrent rivalries and distrusts.

## London Conference Generally Disappoints

LONDON (*Cable*)—Conclusion of the London conference leaves a confusion of prospects, none tangible, some hopeful, but generally disappointing.

(1) The \$100 millions Federal Reserve and European central bank credit to Germany will be extended for another 3 months. The credit has already been utilized. It could not be repaid by Germany at this time even if terminated. Its extension is therefore a matter not only of volition but of actual necessity.

(2) This short-term credit has not been increased nor has agreement been reached regarding a proposed long-term loan. Germany's need in the present crisis is not only to replace foreign capital which has been withdrawn, but also to replace volatile foreign credits with stable capital.

(3) Until credit withdrawals have been replaced and Germany adequately resupplied with operating capital, there is no prospect that exchange restrictions can be substantially relaxed. Although Germany has sought to avoid official dec-

laration of a moratorium on its private foreign obligations, the operation of present exchange restrictions, plus the existence of a domestic bank holiday and the advantage taken of both conditions by the banks, has in many cases become tantamount to a moratorium on foreign obligations also.

#### Money Left Behind

Foreign credits still outstanding in Germany are estimated at, roughly, \$1½ billions, of which 60% is due American creditors and a large part of the remainder to Great Britain, with France holding less than 5% of the total at stake. Some \$870 millions are credits to private banks; \$350 millions are placed with industry and commerce, and \$180 millions are owed by the German federal government and other public bodies. Meanwhile, Germany is frankly, if cautiously, inflating her currency, extending the only accordion pleat available to cover capital deficiency. The legal gold reserve has been reduced to 30%; circulation of silver currency has been raised by \$250 millions to nearly \$500 millions, at which point it represents \$7 instead of \$5 per capita.

(4) The world's central banks are urged to bring what pressure they can upon private banking against further credit withdrawals from Germany. Since such withdrawals are difficult if not actually impossible under existing German restrictions, pressure of this kind is more of moral than of actual significance.

#### The Crux

(5) The greatest potential accomplishment of the conference was the establishment of closer understanding between French and German statesmen. France, with its immense liquid resources, can save Germany from collapse at will. The impression prevails that the Laval government, once outspokenly distrustful of Bruening's administration, is now ready to come to the support of Germany (as long as a government exists in Germany in which the French feel they can place confidence) to the fullest extent possible under political limitations in France. But it is felt that whatever measures France may take in aid of Germany, will be taken by France at its own initiative, within its own judgment and discretion. France will do nothing contrary to its own volition under third-party dictation or pressure. From the initial closer understanding which has been established between the present French and German governments may eventually grow a Franco-German economic entente.

(6) The most seriously adverse po-

tential consequence of the conference is the political jeopardy in which the Bruening government has again been placed in Germany due to its failure to obtain immediate further relief. The only alternative government which could take and possibly hold power, should the Bruening cabinet fall, is a Nationalist government. One may doubt that such a government, once ballasted with responsibility, would go to the extremes so far advocated by Nationalist leaders. But foreign distrust would at first certainly suffice to vitiate whatever further credit Germany may command as a nation, and the consequences of such an administration's reaching power at this juncture would intensify the existing crisis, both within Germany and internationally.

Optimistic expressions of satisfaction from Washington were to be expected. On the one hand, did not Washington give a stalemated conference in London the formula for specious, if empty, achievement? On the other hand, did not the London conference make President Hoover's suggestion almost verbatim the conclusions for its own deliberations?

The curtain has fallen but the realization is general that the falling curtain may be—and probably could not have been more than—a curtain-raiser to a

series of further conferences at which may be achieved, severally and separately, what London has failed to accomplish, jointly.

#### France, With Least to Lose, Is Least Disappointed

PARIS (Cable)—France alone is satisfied with results at London. Expecting little, it is least disappointed. France holds the smallest direct stake in Germany; has the least to lose. France, at any moment and at its own will, can relieve the German financial crisis out of its own immense resources (at a price); France holds the whip hand.

With the London conference over, it will not surprise Paris if Premier Laval and Chancellor Bruening now get together for private discussions, free from the influence of other nationals. Franco-German relations are on a new footing, one of better understanding, approaching confidence. France may do for Germany, independently and alone, what it would refuse to do under constrained collaboration with others. In return, France may be able to obtain concessions from Germany which other powers would oppose as part of any joint agreement.

But, financially, France is worried



GERMANY'S BANKING MORATORIUM—Crowds before the Berlin Savings Bank wait for their money. Only limited withdrawals by depositors are permitted until the internal financial crisis resolves itself



MONTAGU NORMAN—*The Governor of the Bank of England, on his way to the London conferences, appears for once without his usual cryptic smile*

over repercussions in London of the German crisis; withdrew this week nearly \$30 millions of trans-channel deposits. Similar withdrawals earlier in the year were counteracted by direct intervention of the Bank of France in support of sterling. Intervention or abstention, now, would probably influence the British attitude towards whatever Franco-German negotiations follow. Strategically, France is sitting pretty and, moreover, on more than one-third of the world's gold supply.

### Dutch Withdraw Funds From London

AMSTERDAM (Cable)—The German crisis is having an acute effect on Dutch finance, trade, and agriculture, the latter chiefly through the inability of German buyers to pay cash at auction sales. Large quantities of perishable products are being destroyed, because Germany

has been their principal export market. Frontier townships report an invasion of German speculators who are exchanging Reichsmarks for whatever they will fetch, mostly at a 15%-20% discount.

The major repercussion of German events is felt on the money market and stock exchange. Dutch banks, after withdrawing the greater part of their short-term loans in Germany, are now also withdrawing from London, fear the effects of the severe strain on sterling and the known difficulties of London bankers, who are heavily involved in recent German failures.

Consequently, exchange moved in favor of the guilder this week, with sterling dropping sharply below the gold point. So far, about \$25 millions of English gold have arrived, and further shipments are expected. Some importing banks, instead of delivering to the Netherlands Bank, are keeping

the gold in their own vaults pending the result of the London parley and expecting to re-export to Germany.

The extraordinary feature of the present situation, in spite of plethoric bank funds, is that stock loan and bill rates are hardening, indicating that banks are striving for maximum liquidity. The position of Dutch banks is fundamentally sound, since they are not seriously involved in any recent German failure except the Danatbank.

Most anxiety is felt by Dutch holders of German securities, estimated at \$300 millions, which are now held at an average depreciation of 20%. The opinion prevails that in the present crisis, chiefly political in nature, Holland should abstain from issuing fresh credits to Germany until the powers principally interested in the Hoover Plan have laid a sound basis for restoration of confidence.

## Berlin Tries to Save What Trade It Can

BERLIN (Cable)—All energies of government and business leaders are concentrated on the problem of marking time with the least possible disintegration of business until the banking moratorium and some of the drastic emergency restrictions can be lifted. If the London conference plan fails to help the situation, a formal moratorium on foreign payments appears to be the only alternative.

The Paris Franco-German parleys, in spite of their assurances of cordiality, are considered a failure by Germany. France is still insisting on political guarantees for a long-term loan. Business circles are now inclined to give preference to some plan for short-term rediscount credit and an enlarging of the Reichsbank gold basis to restore confidence. It would be necessary also to prolong the remaining short-term credits which, despite recent withdrawals, still are estimated at \$1,400 millions (to banks, \$870 millions; to industry and trade, \$350 millions).

The drastic new measures for exchange control are greatly hampering import trade, are tantamount to the licensing of all imports since an allotment for foreign exchange to pay for imports is dependent on the arbitrary decision of the Reichsbank. Many industries have begun to feel the effect of the regulations on the supply of raw

materials. The cotton industry, in particular, is complaining.

The resulting confusion has occasioned an uninterrupted flow of emergency decrees. Whether the bank moratorium already means a moratorium on foreign obligations as well is a controversial issue. The smaller banks deny it, have freely remitted abroad to meet current obligations, while the big banks contend the banking moratorium implies a moratorium on all foreign payments.

There is also considerable uncertainty created by the reluctance of the government openly to declare a foreign moratorium at a time when its credit restrictions and exchange regulations make payments abroad almost impossible.

### No Futures Trading

The bank moratorium and closing of exchanges has resulted in the paralysis of futures trading. The stock exchange is likely to remain closed until the end of July. An emergency decree is expected which will enable the government to issue regulations for forced liquidation of futures engagements on commodity markets. The application is likely for the time being to apply only to July grain contracts.

Metal, cotton, and coffee dealers are opposed to compulsory liquidation, point out that their engagements are small and can be settled.



# German Crisis Just Dramatizes Plight the Whole World Shares

**Creditors everywhere see debtors crippled by falling prices and start runs on banks and nations**

ATTENTION of world business and finance is focussed on two things: Germany, and the Federal Reserve System. Why? Because Germany is the spectacular symptom, Federal Reserve policy the sole possible effective treatment of a critical credit condition world-wide in its scope. Business nowhere can soundly judge the prospects for early recovery without some understanding of this condition, and some estimate of the outcome of the indicated treatment.

## Other Examples

For all its political and social complications, the German crisis is merely a dramatic, large-scale revelation of an acute credit situation in which every country, every government, every economic activity is in some measure involved. The debt defaults of South American and Australasian countries, the epidemic of American bank failures, the narrowly averted collapse of the Credit-Anstalt in Austria were sporadic, premonitory symptoms. The essential situation was the same in all these cases: fixed debts or liabilities, depreciated assets with which to meet them, due to drastic declines in commodity or security values.

In South America and Australia, foreign borrowings, in some cases excessive, calling for fixed payments of interest abroad; the main assets with which these payments were usually met, exports of wheat, wool, beef, leather, copper, coffee, tin—all half or less in value, and smaller quantities exported.

In Austria, large amounts of foreign money frozen through the Credit-Anstalt in industries hopelessly strangled anyway by the uneconomic position of the country, and finally finished off by the depression.

## Our Own Situation

In America, bank deposits immobilized in real estate mortgages, security loans under-margined or callable only at loss, bond investments whose value had drastically depreciated, so that scared depositors calling for their money could not get it. In all the world, perhaps, only two kinds of assets of financial institutions with which to meet liabilities were worth as much as or more than before—bonds or obliga-

tions of the governments of the United States and France.

But even governments have been in the same boat. Fixed operating expenses, reducible in many cases only at peril of political protest, fixed debt obligations which could be suspended only at the risk of impairing national credit; on the other side, depreciated current assets due to declining tax and customs revenues, especially where these depended on income taxes and ad valorem tariffs.

In most general form the same picture in every business—railroads, manufacturing industries, agriculture. Declining prices, with or without reduced volume, meant falling current assets to meet fixed obligations of bond or mortgage interest, or in many cases payrolls, where efforts have been made to maintain wages and provide employment. This has meant reduced dividends and depreciation of values of securities, especially of railroads, where rates could not be increased without governmental sanction. Depreciation of these securities meant in turn, depreciated assets of banks investing in or loaning upon them.

## "Runs" a Symptom

In all this, deflation was the disease; "runs"—on banks, governments, industries—in the effort of anxious creditors to realize on liquid assets of debtors, were the symptom.

In the case of Germany it was a "run" on a nation, precipitated by political factors which undermined the confidence of her natural creditors, the United States and England, where in turn the banks were under pressure from their creditors, the depositors. Germany has been living for six years on borrowed money, spending it on internal social services under a Socialist government to stave off social unrest, building up her industries with it in order to produce a surplus for export to meet interest payments on her borrowings and pay reparations. Her whole banking structure was based on these foreign funds.

German bank resources were heavily invested in German industries. When depression reduced the volume of her



*Acme*  
**DR. RAY O. HALL**—He is the "cloud" (BW—Jul22'31) over the Department of Commerce report on international payments, charges errors in the figures

exports and their prices, her current foreign assets were reduced. Internal industrial depression depreciated the investment assets of her banks. Payment of reparations became impossible, and Mr. Hoover's eleventh-hour moratorium proposal signalled the situation to the world in spectacular terms.

The scramble of creditors and "depositors" outside Germany to get their money, which had started several months before, became a race while the moratorium negotiations dragged out, and started an internal "run." Since the great German banks are international, their assets supporting those of other European countries like Hungary, the run spread, and it became necessary to declare an internal as well as an international moratorium, to protect German financial reserves against both inside and outside creditors.

## Here Politics Enters

Here Great Power politics as well as internal politics enters to complicate and darken the picture. France has sought to reinforce military with financial dominance of Europe. She has circled Germany with a ring of political allies supported financially as England has supported Germany, and Germany Aus-



tria and Hungary, but more successfully. At the same time she has refused to help Germany except on condition of further surrender of sovereignty such as she has persistently exacted step by step since the Peace Treaty.

#### To Check France

England and the United States would like to save Germany financially, not only because they have so much money at stake there, but also to checkmate France in her militaristic intentions which jeopardize European peace. But England, the greatest creditor nation, cannot do so alone. Her assets, mainly in foreign securities, have seriously depreciated, and her banking system has been working for 6 years on a very narrow margin of reserves, which France is continually endangering. Germany cannot openly make further political surrenders because her government is itself in a ticklish position.

The United States is the only nation with sufficient resources to save the situation, but it hesitates to involve itself too deeply in the European political picture. The moratorium proposal has already pushed us farther into it than our traditional policy of avoiding foreign entanglements sanctions.

Moreover, the domestic political and financial situation is not a bed of roses for statesmen. Congress is coming, and after that another election. Business re-

covery is exasperatingly slow. Agrarian unrest is seething. Further succor of Europe, with the United States playing the title rôle, beyond the sacrifice already made in the moratorium, might get an uncertain reception from those who feel the farmer and the unemployed need some succoring at home, or who have a justifiable suspicion of the European political mess.

#### Some Banks Opposed

There is strong opposition, too, from high financial authorities as well as the member banks whose resources are involved, to placing Federal Reserve funds abroad. These funds are the nation's bank reserves. The system is already under severe senatorial scrutiny and suspicion, and fears further legislative interference.

It fears, also, incidentally, that too extensive foreign loans might not be safe.

The treatment of the deflation disease therefore becomes perforce one of local applications of inflationary medicine. The only remedy for deflation is further extension of credit, by moratoria where creditors are too clamorous, by new loans where debtors are too far gone.

#### Demanding the Impossible

No banking, fiscal, or industrial system ever devised, could ever meet a demand to convert all its assets into cash at once, even at the peak of prosperity.

But deflation inevitably results in just such a demand.

The only way to meet the more extreme demands for cash is deliberately to create some in excess of normal requirements. This is, in fact, what Germany will have to do if she cannot get foreign credit in sufficient amount.

It we do not wish to strengthen the reserves of foreign banks directly by further loans, we can do so indirectly through increasing the reserves of our own banks by pumping Federal Reserve credit into them. This the reserve banks have begun to do, very slowly, by buying government securities; but the severity of the symptoms calls for larger, swifter doses. The inflation that could thus be created in this country on the basis of our abnormal idle gold reserves would bring few domestic political protests.

By stimulating an outflow of gold it might help Europe in the course of time; but this would depend mainly on how successfully the political snarls abroad were straightened out by the statesmen who will be swarming over its surface during the next 6 months.

#### Lumber Dealers to Finance Building of Small Homes

RETAIL lumber dealers are prepared to do their part in expediting small home construction. The National Retail Lumber Association, active in 44 states, has organized the \$2½-million National Homes Finance Corp. of Chicago, to supply mortgage money on liberal terms.

The new company is most interested in houses selling for less than \$10,000. It will loan up to 75% of the combined costs of house and lot at 6% interest. The loan will be completely amortized in 15 years through monthly payments of \$8.44 per thousand dollars of loan.

To insure good risks architectural counsel will be retained to provide proper house designs; materials and construction must be of the highest quality and the owner must guarantee them under bond; life, health and accident insurance will be carried on the owner. In return the owner will be relieved of all details of construction, the entire job will be directed and personally supervised by the participating lumber dealers.

For over a year leaders of the Lumber Dealers Association have been laying plans for the new company. They expect over \$10 millions of new small construction to be released immediately



International News

DEBTOR AND CREDITOR—Dr. Hans Luther (left), head of the Reichsbank, and M. Moret, governor of the Bank of France, leaving the Ministry of Finance during the Franco-German negotiations in Paris

through its operations. This will mean the return of 3,000 men on new construction; 2,000 more on modernization.

Alton J. Hager, chairman of the new company and president of the National Association of Retail Lumber Dealers, points out there is a normal demand for

400,000 dwellings annually in the country, that only a fraction of this number has been built during recent years, that lack of adequate financing has been the chief retarding factor, and that the new company will break this dam for thousands of would be home owners.

## Chains Match Wits with Tire Makers for Replacement Trade

**Manufacturers and distributors find new lines and low prices most effective weapons in market battle**

MANUFACTURERS and their sales agents are matching wits with nationally operating merchandisers of tires, particularly mail order houses and oil companies, for the largest possible slice of currently available tire sales.

Present low price levels are considered decidedly helpful in building permanent patronage and good will. However, public buying habits, at least as far as tires are concerned, never were in a greater state of flux than they are right now. The old order, severely jolted 5 years ago when mail order houses began selling tires, was practically obliterated with the entry of large oil companies into the field.

### Want Rural Trade

Mail order houses propose to consolidate their position, are exerting strenuous effort to increase volume, particularly in rural districts and smaller cities.

With former prices well within competitive range, Sears, Roebuck & Co. brought out the Allstate "Companion" line (BW—May 13 '31). Tire prices in its fall and winter catalogue, now being mailed, have been cut wherever possible or left at prevailing low levels. Reductions range up to 4% on certain 6-ply, heavy-duty Allstate, and average 5% on Companion-Allstate. Dearborn St. line, made in only 9 sizes, shows price cuts averaging 12%. Sears is also under way with a nationwide campaign in 43 major cities to promote Allstate tire sales, actually expects 1931 to be record-breaking year for tire sales.

### New Ward Line

Montgomery Ward & Co. in its new general catalogue announces a new line of tires. Obviously Ward considers Sears' policy on tire names worth following, calls the new line Riverside-Mate, thus capitalizing on name and good will of its leading line. Trail

Blazer tires become Ward's third line, with prices reduce up to 15%.

Increasing tire volume is accounted for by chains of oil stations, operating nationally, their retail units generally located in thickly populated sections. These are actively building tire sales via the service route, with those bidding for neighborhood patronage the most successful.

Meanwhile, old line manufacturers of nationally known brands of tires are spending less in costly price competi-

tion but are making strenuous efforts to retain independent outlets, are inaugurating more effective sales activities to offset the menacing growth of private brand competition.

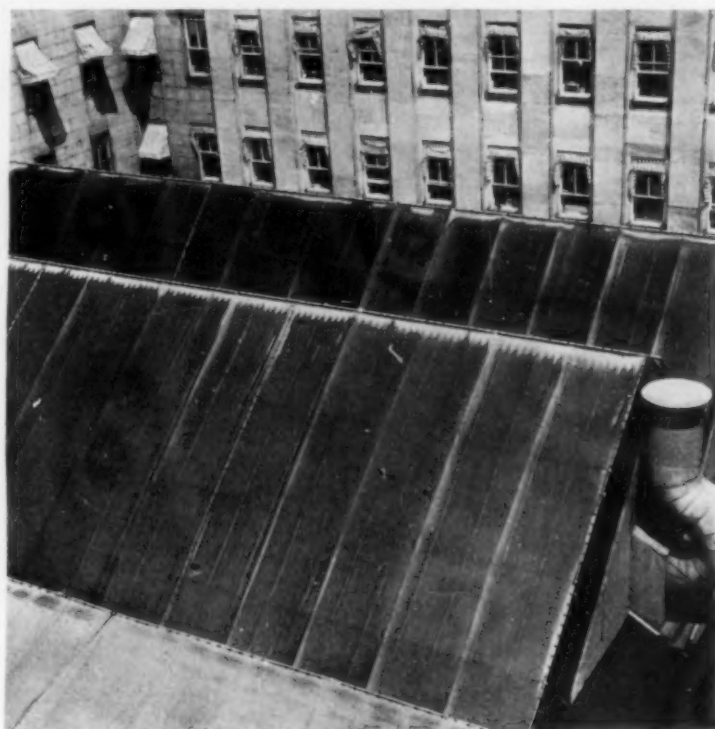
Owners of old fashioned garages are shown that to clean up, paint up, perk up, is the best way to hold expense-paying sales volume on tires, tubes, other automotive accessories.

Sales of the Firestone Tire & Rubber Co. are reported to be far in excess of 1930. On the second line tire, which is in direct competition with mail order houses, unit sales are said to have doubled. This company makes no private brands, but sells its entire output under its own name.

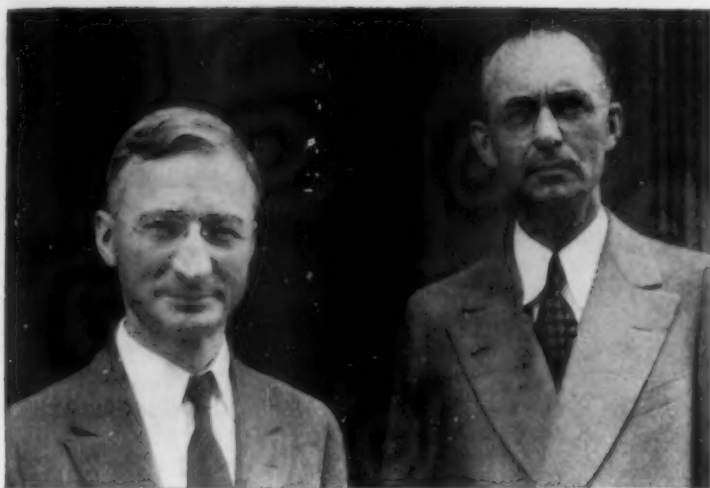
General Tire & Rubber Co. also scorns private brand business, markets through dealers, has developed a special type tire for Fords and Chevrolets, and reports unit sales for first 6 months of 1931 averaging 18% higher than in 1930.

### Seiberling Goes Ahead

Seiberling Rubber Co. makes no tires for others, sells through dealers, brought out a new type triple-tread tire retailing 30% above average prices, yet reports unit sales 95% up in June, nearly 100% greater during first 6 months,



THE TREASURY KEEPS COOL—Canvas tents over the skylights keep off the well-known Washington sun; kept wet by running water, they cool the air as it is drawn into the ventilators



*The Business Week*

**NEW LEADER, OLD FRIEND**—Edward J. Mehren (left), president-elect, and William M. Kinney, vice-president and general manager of the Portland Cement Association. Friends for 20 years, they now join forces in the direction of this pioneer trade and technical organization

dollar volume of course reduced, but profits on operations much increased.

Dayton Rubber Co. is under way with an intensive sales program, has increased expenditures on sales promotional activities 200%, expects to show increased unit sales volume for the year.

United States Tire Co., manufacturing its own brands as well as for oil companies and mail order houses, has been

operating on full 7-day schedule, turning out over 32,000 tires daily, but does not publish specific sales data.

Kelly Springfield Tire Co. reports shipments of tires on the increase, found dealer purchases in June 27.7% greater than May, 43.6% ahead of 1930, and reports the same ratio holding through July, with indications that it may continue for several months.

## Cement Industry Drafts Leader To Rebuild Shattered Morale

THE cement industry has gone outside its own ranks for a leader. It has failed to achieve order, peace, or prosperity by itself; it hopes a leader from outside, free from old bitternesses and prejudices, may have a new outlook, win new support.

Edward J. Mehren, vice-president of McGraw-Hill Publishing Co., has been elected president of Portland Cement Association, the industry's cooperatively supported user-service institution, and, significantly, the presidency has been made a full-time job.

Some such vigorous step has been needed for several years. The situation became desperate last fall. Production capacity of the industry had been increased without much regard to possible markets. Even in 1924, capacity was practically sufficient to supply the 1928 all-time record demand of 176 million

barrels. Yet mills to turn out 68 million more barrels were built in 4 years. Capacity was boosted 16 million barrels in 1929, and now is 50% greater than normally needed. Older manufacturers share guilt almost equally with newcomers in creating this condition.

### Bitter Competition

Since 1928, demand has steadily decreased and in the struggle for the largest possible slice of available volume, old and new manufacturers have abandoned trade policies and customs, have disregarded cost of production, overhead, logical distribution areas.

Destructive competition, particularly rampant during the last year, threatened to disintegrate all industry cooperation, dissipate cumulative benefits resulting from many years of constructive effort and market developing activities. Shifting demand, new methods and policies

of distribution, steadily declining consumption, were factors that aggravated the situation. Inevitably, dog eat dog competition developed rancor, destroyed any semblance of cooperation, was wrecking the Portland Cement Association, often pointed out as perhaps the finest trade association in the country. No man intimately associated with a cement company was any longer considered in position to guide the industry's activities. Hence the drafting of an outsider.

### Smith Becomes Chairman

Frank H. Smith, formerly president (also president Lawrence Portland Cement Co.), has become chairman of the association. W. M. Kinney, vice-president and for 13 years general manager, continues; E. J. Mehren assumes his full-time job as president Sept. 1st.

Although never in the cement industry, Mr. Mehren has an unusual background knowledge of its intimate problems. A civil engineer, graduate of University of Illinois and Loyola University, he was for 10 years editor of *Engineering Record*, now *Engineering News-Record*, leading publication in the construction field. Later he was editorial director of McGraw-Hill Publications. Recently he has been resident vice-president at Chicago. His acquaintance with leaders of the cement industry is of many years' standing.

## "Loose Fruit" Marketed By California Growers

THE Citrus Distributing Plant, organized a year ago by the California Fruit Growers Exchange to handle "loose" fruit—that which fails to measure up to the highest standards—sold 1,352,000 boxes of oranges, lemons, and grapefruit for \$1,868,000 in 1930.

Formerly, this fruit was turned into juices, oils, extracts, and other commodities. But much of it was too good for such purposes, so the Distributing Plant's headquarters in the Los Angeles industrial district is now auctioning off the edible fruit to local retail food dealers.

The Citrus Distributing Plant was put in operation a year ago, partly in anticipation of the bumper crop of 1931, as a means of preventing a surplus from piling up. A few years back the same motive led the Fruit Growers Exchange into the manufacture of Sunkist extractors, which it later put into 62,000 drug stores and soda fountains and 78,000 private homes at cost.





RUSSIA'S NEW SHOES—The latest products of the "Skorohod" ("Quick Step") factory in Leningrad are European in cut, with fish-leather uppers. This modernized factory has conveyor-line production, turned out 10 million pairs last year, double the total production of 1913

## Demand for Summer Footwear Rejuvenates Shoe Industry

**May production 28 million pairs—4 million increase in year; low prices help sales**

UNPRECEDENTED yearnings for gaiety in footwear have helped to raise the shoe industry to a sunny eminence from which it views with compassion the sufferings of other business. Only the lamentations of higher-grade manufacturers disturb the happy chorus. Bulk of sales is at low prices, naturally. But the future stands with upright forefinger and like the beatific Dr. Munyon, promises hope for all.

### Hides Up

Bravely, hide prices have deserted the craven commodities, and started an independent upward climb. Last January they were at a disgraceful 61% below the 1913 average; by June 27 they were only 41% under. Stocks are low. Packers and tanners say they must raise their rates. Shoe makers warn that replacements may not be possible at present quotations. The situation has all the markings of a general rising market which begets consumer demand.

To unbelievers who scoff at all this as sales ballyhoo, shoe manufacturers quote significant facts. May shoe production (government figures) was over

28 million pairs—a 4 million increase over May last year. June indications are 26 million production—2 millions above 1930. These are mostly hand-to-mouth orders covering actual retail sales.

Result: Bargains in leather have disappeared from the Boston market. Finished upper leather on hand, and sides in process, dropped under the previous low of September, 1929. Fall in imports and advance of foreign quotations indicate the improvement to be worldwide. Retailers await the demand of the first two weeks in September to show what fall requirements will be and to prove finally whether the market really is strong or whether the summer trade was just temporary.

It looks like the real thing. Recovery began in March with women's footwear leading the way. Greatest volume was in women's grades retailing at \$1.95 to \$3.95; men's retailing at \$4.

### Sport Models Popular

Depression or no, summer sales of sport models (white with black or tan trim) grew to enormous proportions. In one week of June the Thom McAn

stores of the Melville Shoe Corp. sold more sport shoes than in all of 1928. Sales for men and boys in these styles increased 73.8% against an increase for all models of 9%. Summed up, all this meant full-time operation for plants making low-priced shoes.

Other companies shared the good fortune. The International Shoe Co. got a fat order for white sport shoes from (of all places!) Iceland. On the opposite side of the sub-arctic, Mr. Charles Devlin—retailer of Juneau, Alaska, did a thriving business in tropic footwear.

### Fall Prospects Good

The summer demand has a direct significance and promise for fall. Sport shoes are worn only in hot weather. With the coming of rain and cold, white shoes must be closeted. Demand for heavier grades, put off during summer, should return with greater force. There is danger for the retailer in carrying over sport shoes to next year. But this is a threat the most careless have been schooled to watch, and since hand-to-mouth buying has become second nature it is certain that only the sluggish will be caught playing too far off first base for safety.

There is a current saying that, "You can't make a retailer believe shoe prices have reached bottom." But the shoe towns believe it and they insist that future needs are going to be filled at higher prices. The larger companies have adjusted their prices. Melville Shoe Corp., shrewd manufacturers and operators of 473 John Ward, Rival, Thom McAn, and Traveler stores, reduced prices a total of 10% during 1930. Their unit sales for the first 5 months of 1931 were above the year before, dollar intake was \$11,026,031, or a 2% decrease.

### Stocks Cleaned Up

International Shoe Co., of St. Louis, largest manufacturers, have made price cuts totalling 17%. Practically all stocks are cleaned up. Orders on hand assure capacity production of Eastern plants until Sept. 1. St. Louis plants also are doing well. Present production rate is around 180,000 pairs daily; orders increase 12,000 per day over 1930. Endicott-Johnson, second largest shoe company, also is operating at capacity. An aid to sales was its \$1 shoe (BW—May 13 '31).

The come-back of the shoe industry has been achieved without the aid of distant markets. Exports fell. The first 5 months of 1930 showed exports of leather shoes 1,347,644 pairs, worth \$3,521,898. Corresponding 5 months



this year: pairs exported 815,220, value \$1,907,843. Import decline was at almost the same ratio. During the first 5 months of 1930, pairs brought into the country were 3,025,662, worth \$8,188,268; this year, 2,301,195 pairs,

worth \$4,295,355. Interesting is the fact that Mr. Batá and other European makers hold tenaciously to their share of our feminine demand. Women's and misses' shoes imported were 2,184,617 pairs.

## Mail Order Houses Feature Lower Prices Than Ever

MAIL ORDER houses are launching their greatest drive for the consumer dollar with fall and winter catalogues that are larger, list more items, contain more detailed descriptions, more and better illustrations than any previous issues, and with prices lower than ever.

In announcing the new catalogue of Sears, Roebuck & Co., Gen. R. E. Wood, president, stresses the new designs, new articles that have been included, the items modernized and made more attractive, and the important new utility equipment for home and farm that has been added.

### 12 Million Catalogues

Some 12 million of these 1,192-page books are being mailed. Prices quoted range from 10% to 30% lower, average 11.5% lower than in last year's fall book, with silk fabrics down 21.2%, electrical goods down 10.1%, cotton goods down 18.7%, and other lines in proportion. Free gift-wrapping service is offered as a means of obtaining greater share of gift purchases.

Montgomery Ward & Co. reports that 500 railway cars, 400,000 mail sacks will be required to distribute the 8 million copies of its new 666-page general catalogue now being mailed.

Over 40,000 items are listed, with prices averaging 10% lower than the 1931 spring and summer catalogue, indicating probably more drastic reductions compared with the 1930 fall book. New devices for automobiles, style and luxury items for the home are introduced, variety is extended, entirely new lines added.

### Economy Measure

President George B. Everitt says that "prices reflect more than the present low levels, because, due to unusual conditions in the manufacturing field and wholesale markets, we have been able to capitalize, more than in many years, on the advantage of ready cash and large volume purchases."

Both Sears and Ward have set a minimum on postage, will pay it only on orders of \$2.00 or more, indicating that

reduced prices increased the number of small orders, affected profits.

National Bellas Hess Co., however, considers the charging of postage on small orders unfair, proposes to capitalize the new ruling of its competitors. In its new 368-page catalogue free postage is offered on all orders. Prices are reported averaging 12.87% lower than in last year's book. Old lines have been extended, new lines added, including home furnishings, electrical appliances, sporting goods. A whole 36-page section shows a new line of gift merchandise.

Chicago Mail Order Co., the only large mail order house not also conducting retail stores, is sending out one of its series of 8 editions-per-year catalogues to 4 million customers, claims that prices on some items are lowest since 1900. Shoes at \$3.00 in 1929,

\$2.49 in 1930, are now \$1.69. Coats formerly ranging \$10 to \$25 are now \$7.50 to \$18.

Indications are that general conditions favor a revival, after the severe slump of mail order sales during 1930. In most rural sections, crops are expected to yield better returns than in 1930, if not because of higher prices then because of better crops. Replacement buying of clothing, household goods, home and farm equipment, put off last year, is considered under way.

Sears, Roebuck & Co. report noticeable pickup in mail order sales during recent weeks. National Bellas Hess has for several months recorded substantial increases in mail orders, ranging 15% to 30%, states that  $\frac{3}{4}$  million new customers have been added this year. The Chicago Mail Order Co. had a 16.87% increase in orders during June, and for the first 6 months of 1931 had 10.24% more orders than for the same period in 1930.

## Nebraska Plays Ostrich On Gasoline Tax Signs

AUTOMOBILE and petroleum interests are annoyed by the Nebraska law, effective Aug. 3, which forbids the seller of gasoline to show the amount of state tax when he posts gasoline prices.

Apparently the rising indignation of



The Business Week

SEARS, ROEBUCK LUMBER YARD—The experimental building materials store, opened at Keyport, N. J., is part of the plan to localize sales activities of the home-building division started last year (BW—Jan29'30), may be the first of a chain. The company's home modernization business in the New York area will probably exceed \$1.5 millions in 1931

motorists at being specially taxed for the support of a variety of state projects has somewhat intimidated the Nebraska legislature. And, with touching faith in the fable of the ostrich, it thinks that by concealing the amount of tax the motorist will never notice it. The tax of 4¢ a gallon is not the highest levied,

but is well above what most automotive and oil men believe to be necessary to carry on the legitimate purpose of a gasoline tax—maintenance of highways.

Many observers believe the law to be unconstitutional and it will probably have a court test as soon as it becomes effective.

## Chain Stores Hold Their Own With Tonnage Up, Dollars Down

**Experience of some shows expansion  
is offset by decreased store sales**

CHAIN store sales during the first six months of 1931 seem stabilized at lowered price levels, increased unit sales, and reduced dollar volume.

In the food field, 11 important chains that entered 1931 with 32,460 stores, which at the end of the first quarter were 6.8% under 1930 dollar volume, finished the half year but 5.7% lower. Tonnage sales reported by two chains reflect the effect of price reductions on dollar volume. The Great Atlantic & Pacific Tea Co. was but 3% lower than 1930, while total tonnage sold continues to show an increase of approximately 15%.

Similarly, First National Stores (2,600 units as of Jan. 1, 1931) found tonnage sales increased slightly over 15%, although dollar sales were still 3.4% less.

Jewel Tea Co., only wagon-selling "chain" in the group, appears to have reached maximum sales per unit, as with 65 more routes (a 5% increase) its sales for first 6 months were steadily more than 11% under 1930, which, allowing for increase in routes and average decrease in prices, indicates approximately equal tonnage sold.

Kroger Grocery & Baking Co. with 410 fewer units (about 7%) shows a loss of only 3.4% in dollar volume, apparently has definitely offset the drop in prices by greatly increased tonnage sales per store.

Variety chains with two exceptions continue to show increased dollar volume, undoubtedly are capitalizing steadily dropping price levels which are bringing increased numbers of items and lines within their price range. Ten chains, with 3,357 units, finished first 6 months of 1931 4.3% ahead of 1930 in dollar volume. Oddly, the two largest chains in this group, F. W. Woolworth & Co.

and S. S. Kresge, both with an increased number of stores, still are slightly under 1930 in total dollar volume.

Shoe chain sales, with 4 reporting, were 5.8% under 1930, which, allowing for price cuts of 10% to 25%, represents a considerable increase in units sold.

The apparel and department store chains show greatly varying performance. J. C. Penney with 4% increase in number of stores (58 opened in 1930) had 10.5% less dollar volume; Lerner Stores Corp. with 30% more stores

(now 163) increased dollar sales 14.7%. A group of 9 chains shows 6 months sales 2.15% ahead of 1930.

Equally interesting is the performance of mail order house stores. Sears, Roebuck & Co., after adding but 9 stores during 1930, is accelerating its expansion program, was (during the first 7 four-week periods of its 13-"month" business calendar) but 6.8% under corresponding 1930 sales.

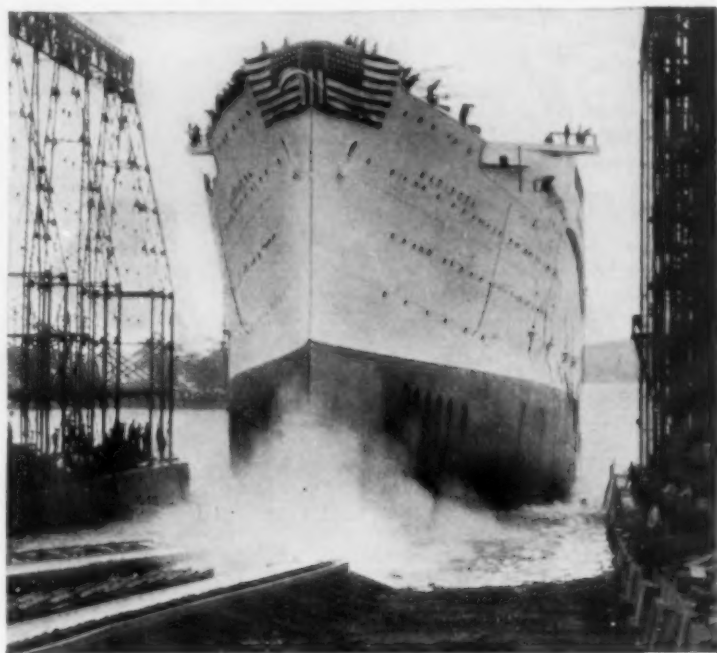
Montgomery Ward & Co., starting the year with 25 more stores, finished first 6 months with 17.2% less in dollar sales.

### **Bellas Hess Lost Least**

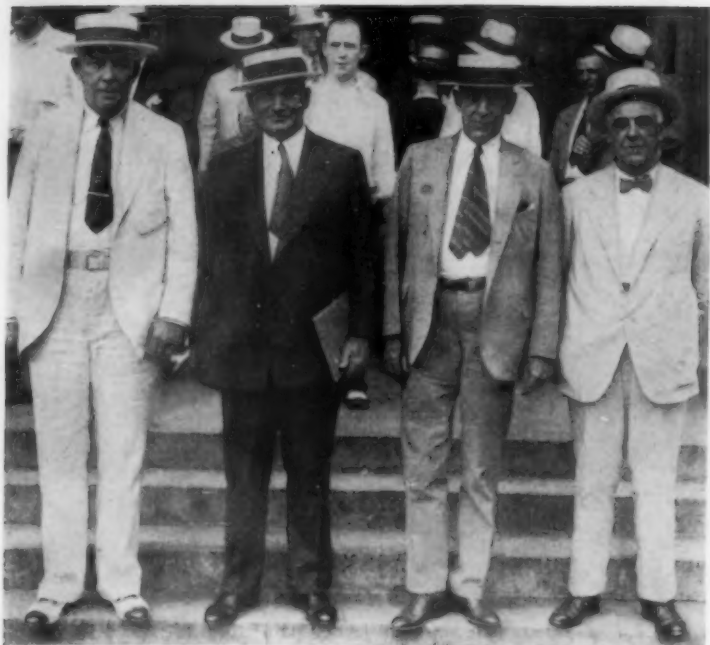
National Bellas Hess, with the same number of retail stores, lost 3.6% in dollar volume. All three important mail order houses expect greatly improved sales for the last 6 months of 1931 due to continually improving effectiveness of merchandising personnel in their retail stores, and recently inaugurated more concentrated sales effort for mail order volume.

Sales of Walgreen's chain of 441 drug stores and Peoples Drug Co. with 118 stores were respectively 4.9% and 4.7% higher than during first half of 1930.

Five important restaurant chains, operating nationally, increased sales 1.25%.



**THE MARIPOSA**—The first of 3 liners for the Matson Navigation Co. is launched from the Fore River, Mass., yards of the Bethlehem Shipbuilding Co. She will enter the San Francisco-Australia run, was christened with a bottle of water from Sydney Harbor



**SEEKING RAISE**—A quartet of rail executives as they appeared at the Interstate Commerce Commission in Washington to present their claims for a 15% increase in freight rates. Left to right—H. A. Scandrett, of the C., M. & St. Paul; J. J. Pelley, of the New Haven; W. R. Cole, of L. & N. R.R.; and R. H. Aishton of the American Railway Association

## Washington Thinks Roads Will Get Temporary Rate Increase

**Year's trial would demonstrate effects and give time for inevitable defects to show**

CONVICTION grows in Washington that the Interstate Commerce Commission will grant the railroads a temporary horizontal increase in freight rates.

The roads would be given, say, 12 months' trial to see how the increase would work out. Meantime the commission would urge them to present correcting schedules as rapidly as possible, so that by the end of the 12 months obvious absurdities certain to develop could be ironed out.

### A Case of Nerves

There is a very general lack of confidence that the increase even if granted without reservations would do the railroads much good, and the commissioners are far from being in a good humor about the whole situation. They have a bad case of nerves, and have been rather snappy even to each other as a result.

The commissioners resent the pressure being brought to bear on them, in

part by men big in the insurance companies and banks, but also by the administration. Nevertheless, they have advanced the date for the resumption of hearings to Aug. 10, probably in response to this pressure. They are sore also at what they regard as the absurdity of the railroads' asking for a horizontal increase.

Of course the railroads know this is silly just as well as the commissioners, but they had no choice, their executives say privately. They could not get together on anything else. It was the only way they could present a united front, and the pressure on them from the insurance companies and banks to do something to save their investors was much more concentrated and powerful than that same pressure is now on the commissioners.

President Hoover is concerned about the whole for several reasons, some obvious, some not. The most obvious

is his eagerness for prosperity to come back, this being essential both to his place in history and to reelection. Even more pressing is his concern over the consequences if something is not done to save the roads quickly. By Jan. 1, railroad bonds worth \$5 billions become illegal for new purchases by savings banks under the New York law, for example. The Massachusetts law also is fairly drastic. Effect of such a development on the insurance companies' assets also might be serious.

### Wage Cuts Inevitable

President Hoover is further concerned because failure of the railroads to get improved earnings will lead almost certainly, it is believed, to wage reductions. Prominent industrial leaders recently in Washington told friends of the President they believed wage reductions must come, but they thought the railroads would have to start the cuts. This, they said, would make it easier for the industries, diminishing the danger of labor troubles.

The railroad executives say privately they wish industry would do the cutting first, as industry generally is in a stronger position with respect to labor unions than the railroads.

All of which indicates a conviction on the part of employers that wages must be cut, which is very distressing to Mr. Hoover. If it works out that way, it is another discouragement for him. And it cannot help his chance for reelection.

## Bonds of 13 Roads Fail Of New York Standard

BONDS of 13 of the largest railroads probably will be removed from the list of securities legal for savings bank and life insurance investment in New York at the end of this year. The securities of 8 other companies are in a doubtful position. And only 10 of the 28 leading dividend-paying railroads will earn their dividend requirements.

These are specific results of the low railroad earnings now prevailing.

Only some change in the law will permit the many issues of the 13 roads to remain on the legal list, Moody's Investors Service believes. The present law requires the roads to earn their fixed charges  $1\frac{1}{2}$  times during 5 of the past 6 years to be eligible. Roads whose securities are almost certain to be disqualified are B. & O., New York Central, Illinois Central, Wabash, St. Louis-San Francisco, Southern, Père Marquette, Chicago & North Western, Rock Island, Gulf, Mobile & Northern, Louis-



ville & Nashville, Kansas City Southern, and Nashville, Chattanooga & St. Louis.

The roads which are in doubtful position include the Pennsylvania, M-K-T, Northern Pacific, Great Northern, Reading, Boston & Maine, Central of New Jersey, and Colorado & Southern.

Removal of these issues from the legal list would not force the institutions to sell the securities. But it would prevent them from buying new issues, which would gravely cut down railroad sources of funds.

The select group of roads which are doing the unusual of apparently not only adequately covering their fixed charges but also earning dividends on common stock as well, as listed by Standard Statistics includes: Atchison, New Haven, Canadian Pacific, Union Pacific, C. & O., Bangor & Aroostook, Norfolk & Western, Atlantic Coast Line, and Rock Island. Chicago Great Western is earning the dividend on its preferred stock.

## Freight Shift to Waterways Explains Barge Line Profit

AN operating report of the Inland Waterways Corp. made public this week shows that the first 5 months of 1931 were the most profitable since the Mississippi barge line was started.

After deducting all expenses and depreciation charges, the net income for the first 5 months of 1931 amounted to \$97,489. For the same period of 1930, a deficit of \$29,450 was reported. Most of the earnings were made on the lower Mississippi division, between St. Louis and New Orleans. Barge line officials attribute the increased earnings largely to the effect of the depression in causing shippers to seek cheaper transportation. An increasing amount of industrial goods and manufactured articles is being handled. Automobile companies in the Detroit area have instructed their shipping departments to use the barges.

### New Boat Needed

To keep pace with the increasing traffic on the lower river, the new Diesel-powered towboat *Herbert Hoover* is being rushed to completion at Dubuque. This towboat will be the most powerful vessel of its type ever constructed for operation on inland waters. It will be capable of towing the equivalent of 9 freight trains of 80 cars each.

Although reports have been received from some points on the Mississippi system of extreme low water, the barge line has experienced no difficulties.



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PENNSYLVANIA EXTENDS CONTAINER SERVICE—Coincident with inauguration of a new tariff recently authorized by the I.C.C., the Pennsylvania has extended its container car service to all principal points on the line and is putting 3,000 new containers into service. Here, a crane in the freight yards lifts one of the 5-ton containers from car to truck.

## West Coast Air Lines Cut Rates To Railroad and Pullman Level

E. L. CORD's entry into the air transportation field on the west coast has started an air rate war in California. On one side is his newly-formed Century Pacific Air Lines which opened a line between San Francisco, Los Angeles and San Diego at the beginning of this month; on the other are the Transcontinental & Western Air Express, the Pacific Air Transport, and other established operators over the same route.

The war broke out when, on opening operations, the Century Pacific posted rates considerably below those of the other lines. Its one-way fare of \$18.95 and round-trip of \$34.11 between San Francisco and Los Angeles were respectively 24½% and 28% less than the fares charged by other operators. Besides, Cord's company offered a high frequency service with a fleet of 10 trimotor Stinson planes.

Confronted with such competition, the other operators have joined forces.

They have reduced their fares to the same levels as the Century Pacific's and arranged schedules to rival the new line's service.

At the same time, the Gilpin Air Lines, with headquarters at Glendale (Los Angeles), has filed a complaint with the California Railroad Commission against the Century Pacific, alleging that the latter company is operating under rates other than those on file with the Railroad Commission.

### First Decision

This is the first time an effort has been made to determine what jurisdiction the public utility commission of that state has over air lines, and it is possible the outcome of this hearing will have a bearing on the rulings in other states.

The Railroad Commission in accepting the complaint feels that it has authority to rule in this case although there is no law placing air lines under



its jurisdiction, and, following the hearing, will no doubt give a decision.

All air companies report heavy traffic since the reduction in fares. The Century Pacific reported 265 paid passengers on the Los Angeles-San Diego route during the first 3 days of operation, or 74% of capacity.

The Century Pacific forms the second unit of Cord's air transport system. The first unit was organized at the end of last year and since March has been operating in the Middle West. The avowed aim of the system is to offer air rates approximating railroad fares plus the Pullman surcharge.

senting even more air travel, the \$1 million loss to railroads is conservative.

The Colonial Line to Boston, with 1,900 passengers, cost the New Haven Railroad approximately \$20,000 for a month, as virtually all the air travelers were patrons of extra-fare limited trains.

Ludington Line was the biggest factor in air-rail competition. Flying 4,500 passengers in direct competition with the Pennsylvania Railroad (which sells tickets for it, nevertheless) and to a less extent with the Baltimore & Ohio, it took away business valued at upwards of \$40,000 from the rail lines (largely the former) while Transcontinental & Western Air accounted for approximately \$10,000 more.

#### **Pennsylvania's Position**

In the latter line, Pennsylvania benefits through a 10% stock interest which it purchased when the line was organized and is understood still to control, although the business diverted from the railroad to the air will continue to represent net loss to the railway until its aerial partner begins to pay.

These figures do not include smaller volumes of traffic handled on other air lines competing with the Eastern railroads, notably, the Eastern Air Transport (New York-Washington-Richmond), the Atlantic City Airways.

Railroad men are seeking to counter this tendency on the part of the public by offering them a different kind of air, by rail—namely, air-cooled trains. Since the Baltimore & Ohio's Columbian was air-cooled, the business has exceeded the train's seating capacity many times.

#### **Cooled Train a Success**

From a train averaging well under 100 passengers daily, the Columbian has suddenly jumped to the 250-300 passenger class and the railroad is rushing more Pullmans, coaches, and diners to meet the demand. An early morning train between New York and Washington, each way, has also been air-cooled by the B. & O.

Whether the growing volume of air traffic represents profit to the air lines cannot be determined, but it is generally believed that unless a plane carries mail, at subsidies ranging up to 80¢ a mile, the earnings are insufficient from passengers alone to meet the \$1 a plane-mile average costs.

Rail lines which were willing originally to "adopt" the orphan air lines are commencing to find that the child is outgrowing its foster-parent and must be subdued. Whether this can be done, after the exploitation given aviation in rail terminals and elsewhere, is, however, another question.

## **Eastern Rails See \$1 Million Fly Away Over Air Lines**

**They court return of public favor with air-cooled trains and better service**

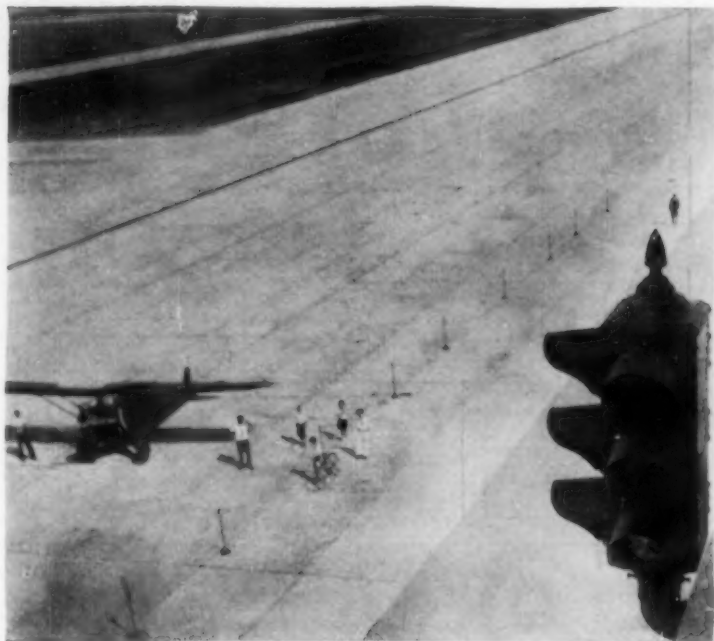
NEWARK AIRPORT bids fair to take away \$1 million worth of travel business from New York terminal railroads for the current year.

Apportioned among the various lines, this represents a potential loss to the Pennsylvania of more than half the total amount; a quarter of it is taken from the New Haven's revenues and the remainder, in smaller amounts, from the New York Central, Baltimore & Ohio, and other Eastern railroads.

The figures are based on the total number of passengers handled through the airport in a recent month, aggregating 8,300 in- and outbound. The

Ludington Line (New York-Baltimore-Washington) carried the bulk of the business with 4,500 passengers; American Airways (Colonial Division, New York-Boston) was next, with 1,900 passengers, while Transcontinental & Western Air carried approximately 300. Total loss to the railroads is estimated on the basis of the average journey of 250 miles which travelers by air flew last year, according to governmental figures.

Based on a fare of 5¢ a mile, the total figures may readily be computed as exceeding \$100,000 air fares paid in the month, and with summer months repre-



**AERIAL STOP AND GO**—Traffic light system used for the first time at Floyd Bennett Field. Turns and take-offs are controlled by lights



Wide World

**MOUNTAINS OF STRAW**—Throughout the Mississippi valley great stacks of straw, similar to the one shown above, are being erected daily in the earliest harvest in years. This stack is going up in Illinois near French Village

## New Crop Stored in Fields; Winter Wheat Acreage Reduced

**Farm Board acquires so much storage  
indications are it will control whole crop**

CHIEF developments in wheat news this week:

(1) Movement to hold part of the winter wheat crop from market gains headway in Kansas and other Southwestern states. Every kind of storage space is being used, and open ground storage is common. Some acreage is not being harvested at all, but turned under. Tenants are giving standing crops to landlords as rent, and farmer owners are delivering grain as mortgage payment. Merchants, agricultural implement dealers are taking grain against purchases or debts at figures somewhat above the market and planning to hold it for higher prices. All this constitutes a kind of moratorium on cash payments.

### Buying New Space

(2) Farm Board agencies are rapidly acquiring new private storage space by purchase or lease and it is estimated that through them the government will practically control the entire wheat crop this year.

(3) Farm Board chairman denies moratorium intentions regarding Federal Intermediate Credit and Land Bank loans, but the general understanding is that the board's cooperative loans will be carried on, and credit extensions by farm implement dealers are announced. Where farmers are hard up for cash to meet debts, instead of dumping their wheat on the market the board invites them to join its co-ops, through which Uncle Sam will give them 75% of the

value of their wheat in ready cash. So far as they succumb to this temptation the board's purposes will be served.

(4) Evidence that Southwest farmers will not plant winter wheat this fall, in spite of low seed and labor costs, is increasing. This tendency is supported by continued refusal of the Farm Board to buy more of the present crop or lock up its holdings, despite persistent political pressure. The Department of Agriculture chose the moment of record low wheat prices to forecast continued low prices this year and next, obviously as a scare to stimulate acreage reduction.

### A Political Forecast

The forecast was not wholly convincing, and chiefly political, based mainly on large carryovers of old wheat in the United States, Argentina, Australia, and possible large Russian exports. World production prospects are admittedly lower and carryover figures are vague. Crop failures like Canadian elsewhere, with improvement in business and European purchasing power, might easily offset present bearishness of wheat prices.

(5) President Hoover, apparently not consulting the department or the Farm Board, forecast improvement in wheat prices due to his moratorium proposal, in letter to Senator Capper, who still presses for Farm Board action.

(6) The board chairman, in a radio broadcast on "The Truth about the Wheat Situation," insists that only re-

striction of production can assure higher wheat prices, but at the same time says that the President's moratorium will do it, and prices will be better anyway.

## Farm Board Cotton Policy Worries Growers

INTEREST now centers on what the Farm Board policy will be toward cotton. The board has refused to renew its promise to keep its wheat off the market. As the period over which the board promised to hold its cotton expires July 31, it is evident that a statement of policy must soon be issued. It is probable but not entirely certain cotton will share the same fate as wheat. Farm Board members recently said the cotton growers have done better than the wheat growers in curtailing production. This implies that the cotton growers have earned more consideration.

Cotton cooperative officials are a little skeptical as to whether keeping Farm Board cotton off the market has much effect on price levels; cotton prices continued to drop last year after the government had promised to hold its accumulations. But of course the decline might have been greater if the Farm Board had not held.

Cooperatives marketing through their association, plan to hold the cotton now in seasonal pools until sales can be made to yield growers a return above the 90% advance that most of them received on delivery.

Under the plan the cooperatives have adopted with the encouragement and partly with funds of the Federal Farm Board, cotton of the 1930 season may be held until July 31, 1933.

Prices have dropped more than 10% since most of this cotton was delivered

# NOW...



**NEW....**

**a 1½-ton International  
with 4 Speeds ... True  
International Quality  
at Low Price .... Only**

# \$ 675

*136-inch wheelbase chassis, Standard equipment, f. o. b. factory*

International Harvester announces a new 1½-ton, 4-speed, 136-inch wheelbase truck — the Model A-2. A better truck and with more power than International has ever been able to offer at the low price of \$675. It is a true International from front bumper to tail-light, built to the most modern truck standards—a truck of the same high quality and backed by the same Company-owned service that for years has

made Internationals famous for low-cost hauling.

Here are power, speed, stamina, attractive lines, and all-around dependability. Here also is absolute assurance of low upkeep cost and unusual operating economy over a long period of years and mileage.

See this new truck. Ask for a demonstration. Drive it. In no other way can you appreciate the quality that has been built into the

Model A-2. It is another International achievement that will add to the ever increasing popularity of the International line. International Trucks are built in ¾ to 5-ton capacities. Bodies for every business.

#### MODEL A-2 FEATURES

4 forward speeds • 22 ball and roller bearings • Powerful engine, L-Head type; 3½ in. bore, 4½ in. stroke; ample power with unusual fuel economy. • Cam-and-lever steering gear. • Vibration-dampened clutch. • 2 wheelbases: 136 and 160 in.

**INTERNATIONAL HARVESTER COMPANY**  
606 S. Michigan Ave. OF AMERICA  
(INCORPORATED) Chicago, Illinois



# INTERNATIONAL TRUCKS

to the co-ops. So the loans are more than the cotton would bring today.

The co-ops would be forced to stand a considerable out-of-pocket loss were they to sell today. In addition, there is a natural desire to do as well as

possible in order to popularize the cooperative marketing system. If no

additional return is given the growers, it will mean a loss to farmers of 10% of what they could have received had they made sale to private buyers.

year's deficit thus far is less than that of a year ago.

The improved showing of the industrial companies may not be sustained as more reports become available over the next few weeks. Yet the showing of those few indicates that some concerns have begun to master poor business.

## Early Reports of Second Quarter Earnings Look Somewhat Better

TENTATIVE evidence that the decline in industrial corporation earnings has nearly ceased is offered by the relatively few figures which have been published for the second quarter of this year. Eliminating subsidiary and affiliated concerns, only 43 companies have thus far made public their figures. These showed combined profits for the 3 months ended June 30 slightly higher than the total for the first quarter, according to compilations by the Standard Statistics Co. First-quarter earnings, it will be recalled, made not too dismal a comparison with the last quarter of 1930.

The level of industrial earnings for the second quarter was 26% lower

than a year ago, and almost 50% below the second quarter of 1929. The total for the first half-year is 30% below the same period of 1930, which was 29% below the first quarter of 1929.

Only 6 public utility concerns have reported. They show profits for the second quarter exceeding both those of the first quarter and of the second quarter of 1930. Their first half profits exceeded either the first half of 1930 or 1929.

Figures are available for only 2 railroads, and both of these show deficits for both the second and the first quarters of the year. Scant cheer can be derived from the fact that this

## Call Joint Conference Of Miners and Operators

THE call for a joint conference of bituminous coal operators and United Mine Workers issued Thursday by Secretaries Lamont and Doak occasioned great surprise among leaders in the industry. Results of the previous conference with operators (*BW*—Jul 22 '31) were so discouraging it was not expected that the administration would further extend its mediatory services to the industry.

Evidently John Lewis, U.M.W. president, was not satisfied with the previous conference; he may have pointed out that only a few of the operators present represented concerns directly affected by current labor troubles, that a more representative conference might develop a more favorable attitude toward union cooperation.

The President still has not granted Lewis' request to call the conference himself. While there may be but minor legal differences between a call issued by the President and one issued at his instructions by members of his official family, the effect of the 2 methods upon operators' attitude toward the call and at the conference is likely to differ greatly.

## "Cake School" to Make Bakers Better Customers

SATISFIED that prosperous commercial bakers will make bigger and better customers for the wholesalers who handle its products, General Mills, Inc., makers of Gold Medal flour and other cereal products, has been conducting a special 10-day course in cake making and modern methods of merchandising.

Consumption of bakery products has been shifting with the change in opinion, taste, and diet fads. Furthermore, many chain stores now maintain their own bakeries and, having an opportunity to sell bread along with a variety of other products, frequently sell at prices that cannot be profitably met by the independent baker.

Cake, with few exceptions, does not



WHEAT FOR BREAD—Cash is so scarce in Kansas that storekeepers are accepting wheat—which is all too plentiful—in trade. At 25¢ a bushel, however, farmers are far from wealthy. These 3 loaves of bread cost this Kansan enough wheat to make 2 dozen loaves



# Talk to a crowd that looks, listens *and acts*

AN OPEN LETTER TO THE CLEAR-THINKING BUSINESS MEN OF AMERICA . . . SIXTH OF A SERIES



(Check this statement a year from now) ✓

IT is no news to good business men that sound and well-timed sales promotion pays good dividends. The real puzzles are—how to be sure of soundness and how to be ready at just the right time.

Looking ten years back and ten years ahead, *The Literary Digest* here states its conviction that the day of the new prosperity-builders is at hand . . . that careful cultivation now will produce golden fruit in the very near future . . . that those businesses that decide to accept the new day and climb will move steadily up, *and up*.

The wise advertiser today will choose his audience with greater care than ever. He must find people of steady, substantial income and advancing standards. He must find people of inquiring, intelligent mind. He must pick customers who are ready to buy and able to pay—*now*.

*The Literary Digest* has grouped a large audience of *responsible* families of this type. Reading matter seeks its own level, and the editorial content of the *Digest* interests progressive people only. This is an essential magazine of

affairs, for men of affairs—one that hits the corner and misses the trifter.

How do we know that those responsible readers are also responsive? *Because the Digest sells itself by advertising.* Millions of mailings are sent

---

*The Literary Digest is close to the life of the times, offering immediate national publicity to the advertiser who has a message of immediate national interest. It goes to press only seven days before delivery—thus having the speed of a weekly newspaper, plus its power as the leading news magazine.*

*The Digest enters the best million homes with telephones, a market which buys two-thirds of all advertised commodities—and buys them first. The Digest reaches 36% of all families with incomes of 10,000 and up. Its list of subscribers is a roster of ready buyers in the upper income brackets.*

*For 1931, advertisers buy a guaranteed average circulation of at least 1,400,000 preferred prospects.*

---

to telephone homes, pointing out the *Digest's* interest and value. At intervals, the *Digest's* national polls on matters of national interest attract additional readers. News broadcasts by radio six nights a week bring in many more. . . . Increasing thousands have proved by purchase their readiness to look, listen and react to the advertising of things worth while.

To the *Digest*, the economic upset has shown once again that plenty of people continue to buy through thick and thin—that sales are always waiting for those businesses that travel the broad, straight road.

Subscriptions to the *Digest* are sold on the one-year plan. And more *Digests* were bought in 1930 than in 1929. The records show a weekly average increase of 77,000—and for the first half of 1931, an increase of more than 100,000 over the guaranteed 1,400,000.

Talk to this *responsible, responsive, even-keeled* public. Tell why to want and get your product, why to accept the service you offer, why to *do it now*. . . . And do it now. Next year's sales curve must swing toward the sky.

## ★ The Literary Digest ★

S O U N D I N G - B O A R D O F A M E R I C A N O P I N I O N

*"The Literary Digest is known to students of the publishing business as the sounding-board of American opinion. No other periodical in history has held a similar place. Time after time, its finger laid on the pulse of the people has been the one true index of national sentiment."*

lend itself to mass production as readily as bread. Taste is a greater factor in cake-selling, gives the commercial baker opportunity to build and maintain trade on a long-profit item. A profit-making cake baker is a desirable customer.

General Mills, Inc., put bakers through a carefully prepared intensive course of training. Along with cake-making, bakers had an opportunity to study equipment, store display, window dressing, advertising.

Methods of figuring costs and overhead were stressed in the hope that bakers would study their own costs, increase their operating profits through more efficient production, better merchandising methods.

The course, limited to 500 bakers, started July 20, ended July 29, at the General Mills, Inc., headquarters, Minneapolis, Minn.

## Wagon Company, 70 Years In Business, Bankrupt

AFTER seventy years of business, prosperous up until the advent of the automobile, the firm of Weber & Damme, wagon manufacturers, of St. Louis, has filed a petition in bankruptcy. There are now only 5 wagon factories left in St. Louis which housed hundreds of such plants 50 years ago.

When the automobile made the wagon practically obsolete the Weber & Damme Co. turned to the manufacture of farm implements, but the financial stress of the farmers has cut the profit in that market.

## Life Insurance Sales Drop in First Half Year

LIFE insurance sales for the first half of 1931 dropped sharply from the same period a year ago. Total sales of 44 companies with 82% of the nation's total business showed sales 12.3% lower. Smaller individual incomes and doubt as to future income made people unwilling to make commitments.

Ordinary insurance, which accounted for 67% of total sales, bore the brunt of the decline, 15.4%. But the decline in June from a year ago was much less severe than in earlier months. The smaller policy business survived much better. First half year's sales of industrial insurance were off 5.9%, while group sales were down only 2.5%. In both classes, though, June sales were off from a year ago by a larger percentage than any month so far this year.

# Book Business Survey in Effect A Study of Merchandising

## O. H. Cheney's report will show why Americans buy only 1 book a year

WHAT do you read?

Publishers asked the question a year ago. Booksellers, binders, authors—all expressed an interest, added more questions. In cooperation, they planned an economic survey of the book industry. O. H. Cheney, for 20 years a New York banker, carried it out with a staff of research assistants. Early in September the final report will be presented. The first American industry to have made a comprehensive study of itself will know not only what people read and why, but the answers to a score of general questions which are troubling many industries.

Here are a few of the questions which the survey set out to answer:

Why are the publisher, the manufacturer, the bookseller, not making a fair profit?

Can prosperity in the book industry come as a result of making America "book-conscious"?

Are books doomed by the competition of radio, the movies, the automobile, and other 1931 ways of spending leisure?

Shall we increase the number of book outlets, especially in those communities without bookstores?

Do rental libraries cut book-buying? Are drug and cigar stores good book outlets?

What is the meaning of "the \$1 books" of 1930?

Are book clubs a menace or a blessing?

Must book publishing and selling always be a gamble?

While the final conclusions will not be revealed until the survey is complete and presented first to the industry, some of the conditions already indicated by the investigation are of striking interest to business generally.

The book distributing system, for example, is inadequate. This, in part, accounts for low demand. Larger distribution, however, is not possible by increasing the number of outlets. In fact, the creation of new bookstores under present conditions is considered economically unsound both for publishers and distributors.



*International News*  
**GASOLINE VOLSTEADIANS**—These officers, as may be guessed, are looking for bootleggers. They patrol the Schuylkill and Delaware rivers to prevent the smuggling of bootleg gasoline into Pennsylvania

Books as a side line in drugstores and cigar stores do not sell well beyond a very limited kind of book, and these outlets will never replace regular bookstores.

It is left for industry to develop the highest possible degree of efficiency in existing outlets. Profits now are too dependent on best-sellers. Each branch of the industry is trying to extract some margin of profit from other branches. Publishers, for example, do their utmost to save  $\frac{1}{8}$ ¢ on binding cloth (and then spend many times the saving for a literary tea to "promote" the book).

#### Study Personalities

Consumer habits have been closely studied in special project surveys. Business men have a double interest in the results of the study of reading habits of 300 young bank executives. Over the 17-day period which this report covered, 690 books, an average of 2.3 each, were read. But since 65 read no books at all, the 235 actual readers perused nearly 3 books each. Discounting those who read no books, nearly 27% of the 235 read one, 26% read 2, and 17% read 3.

What did they read?

Of the 690 books on the list, 58% were fiction (including detective and mystery stories). Of the 290 books in the non-fiction group, 93 were sociology or economics (53 directly related to business), 80 were biography, 40 religion and philosophy, 27 travel.

Where did they get the books?

More than 27% were bought in stores by the reader; 8.7% were received as gifts; 18.1% were rented from commercial libraries; 21 $\frac{1}{3}$ % were drawn from public libraries; 12.6% were borrowed from friends; 3.1% were received from a book club.

#### 1 Book Per Capita

For further clues to the reading and book-buying habits of the American public, the detailed sales records of hundreds of individual books have been studied. So have the operating accounts of more than 100 bookstores over a number of years. That the American public buys only about 1 book a year per person is due to the fact that a large proportion of the people read slowly and with difficulty. This traces back to reading methods taught in schools. Only 22% of reading textbooks are scientifically appropriate for the grades in which they are used.

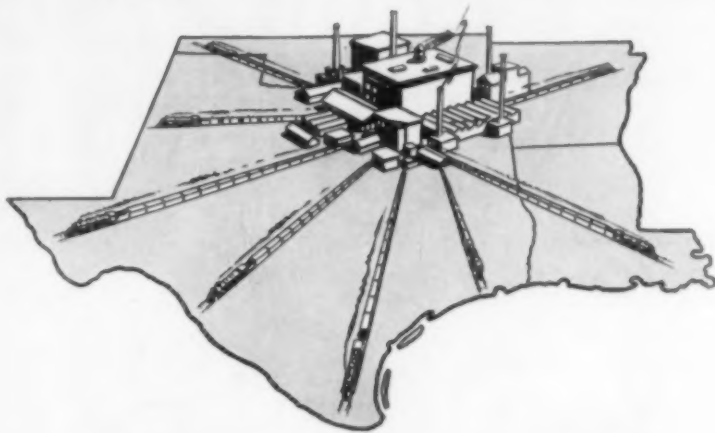
The survey is in its final stages. Publishers are looking to it for constructive help based on facts. Outsiders see in it the beginning of a close scrutiny in many lines of the whole scheme of distribution.

# Dallas

## Manufacturing

### for the Southwest Market

### SHOWS BIG INCREASE



**It will pay you to serve this  
rich market from within**

Decentralized manufacturing is making gains despite economic conditions. Dallas, Southwestern Headquarters to American business, is enjoying its share of the growth. The Bureau of Census figures show that from 1927 to 1929 Dallas County's manufacturing volume increased 43.5 per cent . . . And, the fact that sixty new manufacturing plants were established in Dallas in 1930—twice as many as in 1928 and 1929—indicates definitely the trend toward manufacturing in Dallas. Executives interested in the establishment of a manufacturing plant, a distribution base, or a sales office to serve the \$6,000,000,000.00 Southwest market are invited to mail the coupon (or write on business letterhead) for a 144-page book that gives full information on transportation, labor, power, fuel, raw material costs, and other advantages to be had in Dallas.

# Dallas

**Southwestern Headquarters  
to American Business**



#### EXECUTIVE COUPON

**Industrial Dallas, Inc.**

547 Chamber of Commerce Bldg., Dallas

Please send free copy of your new book, "The Southwest Market," to:

Name  Company

Title  Address



THE  
GOOD BUSINESS  
OF OWNING  
A  
PIERCE



THREE NEW GROUPS, ALL WITH FREE WHEELING: AT \$2685 AND UP; AT \$3450 AND UP; AT \$4275 AND UP

It seems almost prosaic to say that Pierce-Arrow's first and final concern is that its product shall always be a good business investment for the owner.

It is nevertheless the fact that over the years Pierce-Arrow has been as richly endowed with economic worth as with social distinction.

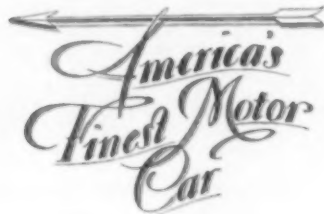
Pierce-Arrow asks no premium of price for a superiority which is apparent in all phases of fine car manufacture—from modern

patrician exterior, and exquisite finesse of interior treatment, to a performance that expresses a fidelity to the finest engineering ideals known to motor cars.

All that Pierce-Arrow asks is the opportunity to demonstrate this superiority to whoever may have an appreciation of the personal satisfaction and social assurance which Pierce-Arrow ownership so inevitably yields—plus the certainty that a good business investment is unfailingly present.

# ARROW

*Pierce-Arrow quality is attractively pictured and described in several booklets, including one which treats of the special custom models by LeBaron. These are obtainable from the Pierce-Arrow dealer, or by mail-request from The Pierce-Arrow Motor Car Company, Buffalo, New York.*



AND UP. (SPECIAL CUSTOM-BUILT MODELS UP TO \$10,000.) All prices f. o. b. Buffalo

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# are truck tires taking you “for a ride” ?

---

**D**o you really know what to expect from good truck tires? Perhaps your trucking costs look legitimate. No doubt depreciation rates seem on the level. You may be entirely satisfied. Even so truck tires may be taking you “for a ride,” stealing your profits—running up your operating costs—wearing down your drivers.

You actually may be holding yourself up and not know it—with singles where you should use duals—solids where you should have pneumatics—high pressures where balloons would go further, faster, more economically—traction tread where free rolling is most essential. In fact, a dozen misfits may exist in your truck tire equipment which seem all right, but which are literally “all wrong,” as far as your net earnings are concerned.

Check up! Call in your near-

est Goodrich Distributor. His knowledge of truck transportation problems has more than once pulled an operation out of the red, or helped pay an extra dividend.

He'll make a thorough study of each truck in your fleet—the kind of loads carried—the conditions under which they operate. Find out exactly which model and type tire each truck needs to do its job most efficiently—most economically.

He'll give you the facts about Air Containers, too—the remarkable puncture sealing tube that adds seven vital points to truck tire performance.

Phone him now. Look under “Tires” in the classified directory.

The B. F. Goodrich Rubber Co., Est. 1870, Akron, O. Pacific Goodrich Rubber Co., Los Angeles, Cal. In Canada: Canadian Goodrich Co., Ltd., Kitchener, Ont. The International B. F. Goodrich Corporation (Export).



# Goodrich

SILVERTOWNS



AIR CONTAINERS

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**another B. F. Goodrich Product** 32,000 Rubber Articles • Goodrich Silvertowns  
Zippers • Rubber Footwear • Drug Sundries • Soles • Heels • Hose • Belting • Packing • Molded Goods



# Wage Cuts, Unemployment Grow And Union Labor Turns Defiant

**William Green voices vigorous protest on wages  
and calls for government assistance**

LABOR leaders do not agree with official pronouncements from Washington that wage cutting has been generally abandoned, that employment conditions are improving, that there is no cause for unusual concern for approaching winter months.

At a meeting of the Longshoremen's International Union, William Green, president of the American Federation of Labor, made a forceful speech.

## **"Not Debatable"**

About wage cutting he said: "This subject is not debatable with the A. F. of L. We are not even open-minded about it. The A. F. of L. will not stand a reduction of wages and we are going to oppose it with all our might and vigor."

About unemployment: "Our nation has never faced such a test before. While we wait and refuse to grapple with the problem, men go hungry, and social unrest develops. What are we going to do about it? The situation is more serious than appears on the surface but for some reason those in authority refuse to act. In the name of God are we to sit still and do nothing?"

Evidence that there has been no decline in wage cutting is shown in the Bureau of Labor Statistics report for the month ending May 15, latest available. During that month, 293 of the 13,000 reporting manufacturing establishments cut the wages of 46,400 employees an average of 10%. This was the largest number of employees affected, and the second largest number of concerns ever recorded by the bureau.

## **Trend Resumed**

According to the bureau's reports—the only comparative data on wage cuts—the number of wage-cutting firms and the number of employees affected have grown steadily since early in 1930 (*BW*—*Apr 15 '31*) and, beginning with January, 1931, have accelerated with unprecedented rapidity. An apparent decline in the number of wage cuts during March and April led optimists to believe unfavorable publicity had checked the trend. May figures however, established a new record in the number of employees whose pay has been reduced.

Since the first of the year, 1,226 of the 13,000 firms reporting have cut wages of 175,000 employees.

Bureau of Labor Statistics data for June show for 15 industrial groups, employment dropped 2.0% from May, while payroll totals declined 4.5%.

Increased employment, mostly seasonal, was shown in but 3 of the 15 groups—canning and preserving, laundries, dyeing and cleaning. Others showed employment decreases ranging from 5.2% for anthracite mining to 0.4% for power, light and water.

For manufacturing industries alone, employment dropped 2.6% and payrolls 6.2%. Of the 12 groups comprising this classification just one—foods—showed increased employment and one other—tobacco products—showed increased earnings. In all others, both employment and payrolls declined.

Payrolls have declined more sharply

than employment. Whether this portrays the effects of wage cutting or increased part-time employment, is uncertain but either interpretation lends emphasis to the belief that next winter is going to be particularly hard.

A survey just completed in New Haven, Conn., by the Russell Sage Foundation found 12,000 persons, or 18% of those able and willing to work, unemployed. That is more than twice the number of jobless workers found in the federal census in April, 1930, and may be typical of the change in employment conditions since that time.

## **New York Figures**

Employment figures for New York state show the most severe losses in both employment and payrolls from May to June that have ever been recorded. Employment declined 3.0% and payrolls 5.2%. The average weekly earnings of factory workers dropped to \$26.34, a loss of 62¢ since May, and are now at the lowest level since early in 1923.

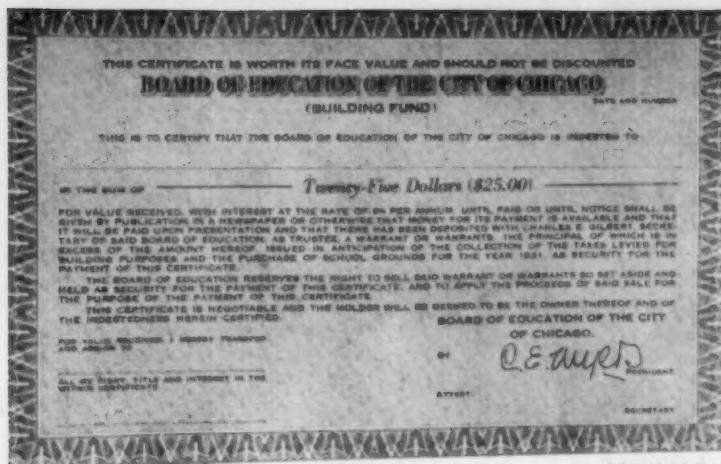
The recent report of the Department of Agriculture reveals that while wages paid to farm labor usually advance from April 1 to July 1, this year they declined during that period and are now at the lowest level recorded in the past 15 years.

With all of these indications of the



*International News*

**MOISTURE MEASURER**—With the "electric hammer," developed by General Electric, lumber yards can determine the degree of seasoning quickly and exactly. The operator "tunes in" on a plank simply by driving the sharpened electrodes into the wood. Dryness is read on a dial



**CHICAGO MONEY**—A facsimile of a piece of the scrip being issued by the Board of Education of Chicago to pay salaries of employees amounting to over \$250,000. Banks have agreed to accept the paper as collateral for loans until the city stabilizes its finances

ever increasing severity of unemployment and the very pressing need for adequate relief next winter, labor and social leaders throughout the country are becoming more and more determined in their efforts to get government—both state and federal—to assume responsibility for a condition which they claim is now beyond the control of individual efforts.

## Road-Making Gives Work To 85,000 More

DURING June 275,000 workers were given employment on state highway construction—85,000 more than were employed in May, according to W. C. Markham, American Association of State Highway Officials. These figures include only work done on state road systems, do not include roads built by counties and other local subdivisions.

Road contracts awarded during June totaled \$80 millions, \$15 millions more than in May, which indicates that employment on highway construction will continue to run through the summer and well into the fall.

### Ohio Leads

During June, Ohio led in employment with 24,500 road workers. Other states employing over 10,000 workers during the month were New York, Pennsylvania, Virginia, Louisiana, Missouri, Maine, Illinois, Minnesota leads in the amount of contracts awarded during the month with nearly 1,000 miles of highway at \$15½ millions. The largest mileage, 1,002, was awarded by North Dakota for \$3 millions.

## Legionnaires Plan Drive To Speed Up Public Works

THE American Legion is going into action on the public works front.

Howard P. Savage of Chicago, past national commander, now chairman of the Legion's National Employment Commission, is setting the machinery in motion.

With 10,000 posts, the Legion is well set up to get action.

"It is not necessary," Ralph O'Neil, national commander, says, "to think up new projects in order to have large increases in public works construction, but merely to speed up what is already contemplated."

E. Joseph Aronoff, director of the public works section of the President's Emergency Committee for Employment, stated recently in an address in Illinois that over \$6 billions contemplated public works have been reported to his committee since last November. Contracts for over \$1½ billions of these have been let, leaving \$4½ billions pending. Of this remainder about \$2 billions, Mr. Aronoff estimates, are far enough along to be shoved ahead without much delay.

All sorts of local disagreements, misunderstanding, red tape, and the like obstruct action. The Legion can accomplish much by mobilizing its members in each locality to clear away local obstacles to specific projects.

With construction costs down 15% to 35% and interest rates similarly reduced, taxpayers stand to save money in the long run if projects undertaken are those that would have to be built in two, three, or four years.

## Employment Reserves Practical, Survey Shows

AFTER a careful and complete analysis of the effects of the depression upon employment of his own working force, James W. Hook, president, Geometric Tool Co., New Haven, and chairman of the Connecticut State Emergency Committee on Employment, believes employment reserves are entirely practical and actuarially sound.

He found that it would not be very expensive to set up reserves during good years to maintain wages of his employees with dependents at 80%, of those without dependents at 60% of normal. Specifically, he states that a reserve of 0.5% of the company's payroll set aside from 1923 to 1929 would have been sufficient to maintain the pay of permanent employees at the above rates for a period of 40 weeks beginning June 27, 1930. From this he assumes that a 1% reserve would have permitted wage maintenance for 80 weeks.

In acquiring this information Mr. Hook has adopted a personnel record which is recommended to all employers by the New England Council. It shows the precise effect the depression has had and is having on the time worked and wages received by each employee who has been on short time. From this information is obtained the percentage of normal hours worked and normal wages received by each employee.

## White Collar Wage Survey Is Sample of Conditions

AN investigation of how office employees have been affected by the depression, just completed in 231 leading business institutions in and about Philadelphia, by students of the Pierce School of Business Administration, discloses that 41% of the companies queried lowered wages, shortened working hours, or reduced their office forces to a considerable extent.

Extra work was found for employees by 28 of the companies; part-time schedules were instituted by 27; 63 laid off employees, and 54 reduced pay. New employees were taken on during the past year by 89 companies while 142 did not even make replacements. Special economies were instituted in 46 offices.

The complete report details the returns of the investigation as they relate to retail, wholesale, manufacturing, financial, and miscellaneous offices.

# MAN, OH MAN, WHAT A BUNCH OF RECORDS! ....AND WHAT RECORDS!

(First Cost) ÷ (Years of Service) = (what pipe costs you).  
Reading Pipe is *low cost* pipe. Look at these—just a few  
of the thousands of Puddled Iron Pipe records which prove  
that Reading Puddled Iron Pipe will cut down your costs  
year after year by giving you *uninterrupted* pipe service.  
There's only *one sure* way of getting such service—by  
looking for the Reading *indented* spiral on every length  
of pipe you buy, specify or install.

## 70 Years Young—

### And Going Strong!

Since 1861, a Reading Puddled Iron Aqueduct  
over the Harlem River has been carrying  
clear, sparkling water! When the bridge was  
modernized in 1927, the pipe, still perfect, was  
put back in place!

## Buried 30 Years—

### Ready for Another 30!

Nobody knows how long the 2' Reading  
Puddled Iron pipe line of the Danville State  
Hospital (Danville, Pa.) is going to last! Buried  
for 30 years, the pipe was still good when the  
hospital decided to extend the line—so they  
just joined the extension to the old pipe.

## Half a Century? Just an Incident!

For 50 years, Rufus Yost, Reading, Pa., has  
enjoyed clear spring water from a line of 1½'  
Reading Puddled Iron Pipe. The line is still  
in use—of course!

## 40 Years in an Ice Plant!

If a flood hadn't destroyed the plant of the  
Enterprise Ice and Coal Company, Harrison,  
Tenn., the 40-year-old Reading Puddled Iron  
Pipe it was using would still be in its service.  
The pipe's still good . . . even though the  
plant is gone!

## Down in Birmingham, Too

Thirty years of service haven't aged a line  
of 15" Reading Puddled Iron Pipe, owned  
by the Birmingham Electric Co., Birmingham,  
Alabama. Another 20" line used for conveying  
steam since 1906, is still in excellent condition!

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### Good for Many More!

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## A New Way to Cut Labor Costs

Savings from 20% to 30% and totalling \$60,000 from this New Plan.

**BASED** upon recently completed studies and applications over a four-year period, we announce an advanced form of Labor-Cost Reduction which opens up an entirely new field of possibilities in curtailing indirect manufacturing expense.

These savings range from 20 to 30% of former budgeted costs and total in some instances \$60,000 per year.

These economies have been achieved despite the fact that before application of the New Plan the firms benefited had cut every possible expense "to the bone" insofar as they could determine.

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We feel that these facts, with details of application in individual instances, merit executive consideration.

We have accordingly arranged to present the principles of this new plan, "The T & L Flexible Indirect Labor Budget Plan" to executives interested, on request, together with a booklet showing its results in varied instances. Correspondence involves no obligation but may pave the way to a means of achieving substantial economies in your indirect manufacturing expense.

In requesting presentation of the data on this new Plan, we ask that you give your own name as well as the firm name. The coupon below will expedite our reply.



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## Europe's "Big 3" Pencil Firms Merge in \$5-Million Trust

EUROPEAN NEWS BUREAU—Europe has a new trust. Germans call it a "cover society." Actually the "Big Three" of the lead pencil industry are merging into a holding company with a capitalization of \$5 millions. Manufacturing plants are in Germany and Czechoslovakia, but for technical reasons the new company will be chartered in Switzerland.

Included in the trust are Johann Faber and the A. W. Faber-Castell Co., both of Nuremberg, Germany, and Koh-i-noor (L. & C. Hardtmuth) of Czechoslovakia. The combined capacity of the 3 partners is nearly 4 million gross a year (total American capacity is approximately 9 million gross). Because of the depression, the European plants of the 3 merging companies are now operating at only 60% of capacity.

### Exports Large

Interest in the new trust is more than local because of the foreign business controlled by the 3 participants. Nearly 80% of domestic production, including, besides lead pencils, nearly 3,000 other items, is exported. Besides a general export business, Koh-i-noor has a large subsidiary in Cracow, Poland; with Johann Faber it operates a factory at Hermannstadt, Roumania. It was the success of joint operation of this foreign branch that led to the agreement among the 3 companies to attempt to cooperate for more economic and rationalized methods of selling and management.

### Imports Only 5%

American lead pencil imports amount to less than 5% of annual American production. Nevertheless there is some interest in the fact that Johann Faber organized an American subsidiary in Delaware, though there is no record that it is yet in production. As an importer into the United States under the existing tariff, no one of the partners in the new trust has been feared by the American industry. If the new combination should form a merger with one of the large American producers, the whole problem would be radically changed. Johann Faber has practically gained complete control of the Brazilian pencil market. Since 1929, he has taken over Brazil's 2 leading lead pencil producers. In addition, "German manufacturers" supply 93% of Brazil's imports.

The American lead pencil industry is not especially perturbed by the an-

nouncement of the European trust. Several of the big American units are more than 50 years old. Together they have a production capacity of 9 million gross annually. Production in 1929 exceeded 6 million gross.

More than 80% of American lead pencil production is concentrated with 4 big producers: The American Pencil Co., Joseph Dixon Crucible Co., Eagle Pencil Co., and Eberhard Faber.

The European manufacturers are no more aggressive in establishing themselves abroad than are Americans. Eagle and American have factories in Great Britain. Eberhard Faber has a factory in Germany. Recently, and no doubt partially due to the new tariff, Eagle, American, and Dixon have established branches in Canada. This move will cut pencil exports to Canada, long our principal export market, but it should increase the Canadian sales opportunities for American manufacturers.

## Ufa Plans Theater Chain Of German "Talkies" Here

GERMAN cinema producers, encouraged by the success of some of their features in this country, are beginning to open theaters of their own here.

Ufa, Germany's largest film producer, opened its first picture house in New York city several weeks ago. Showings there are limited exclusively to "talkies" in German produced in its studio plants at Neubabelsberg and Tempelhof.

If the New York experiment works well, Ludwig Klitzsch's company intends to open theaters in Chicago and other cities with large German-speaking populations. Some 50 pictures in German and 4 big features in English have been selected for American exhibits.

### Another to Invade U. S.

Another company reported planning to enter the movie-house business in this country is Tobis, one of the smaller German film producers but controlling important sound-equipment patents. This company's program, just announced, contemplates the establishment of 19 houses, to be known as "Europa" theaters.

The inauguration of Ufa's theater in New York last May added another link to the great international chain that this company has established since 1918.

## Calumet-Phelps Dodge Third in Copper

EARLY prospect of another large vertical unit in the copper industry appears on announcement that the plan for merging the Calumet & Arizona Mining Co. with the Phelps Dodge Corp., has been arranged and will soon be submitted to the vote of stockholders.

When finally completed—and no difficulties are being anticipated—the new combination will be the third largest copper company in the world, exceeded only by Anaconda and Kennecott. Besides holding extensive copper properties, it will control smelting and refining facilities and fabricating plants.

The basis for the merger involves the payment to Calumet & Arizona stockholders of \$2.50 a share and the exchange of  $3\frac{1}{4}$  shares of Phelps Dodge stock for each share of C. & A.

### Year's Controversy

Discussions regarding the amalgamation of the two companies have been going on for more than a year. A few months ago, Gordon R. Campbell, president of Calumet & Arizona, who opposed the merger, resigned when the stockholders voted at the annual meeting in favor of moving the company's offices from Calumet, Mich. to New York. C. & A.'s former head was opposed to such transfer on the ground that it would be a preliminary step to consolidation with Phelps Dodge, whose main office is in New York.

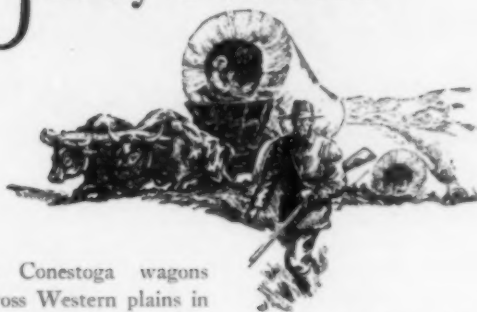
Their combined assets are in the neighborhood of \$370 millions; their combined output of copper, at last year's levels, over 230 million lb., though their productive capacity is far greater. Phelps Dodge, however, is considered as a whole a high cost producer, while Calumet & Arizona is believed to produce at lower cost.

## New Building Is Equipped With Radio in Each Office

ENTERTAINMENT and information for the tired business man will be provided in the new 33-story office building being erected in Philadelphia for the Philadelphia Saving Fund Society. A receiving system is being installed for the operation of radio receivers in each of the 425 offices in the building.

The new installation anticipates the time when business men will demand facilities for getting market quotations, views of leading statesmen and captains of industry on important questions, and similar services at their own desk.

# Forty-Niners



IN 1849, Conestoga wagons streamed across Western plains in the gold rush to California. Pioneer gas companies operating in that year of the forty-niners included **Rochester Gas Light Company and Worcester Gas Light Company.**

Among other Associated gas companies and the years they were founded are those serving:

Easton, Pa. ....	1850
New Bedford, Mass. ....	1850
Ithaca, New York. ....	1852
Elmira, New York. ....	1852
Cambridge, Mass. ....	1852
Johnstown, Pa. ....	1856

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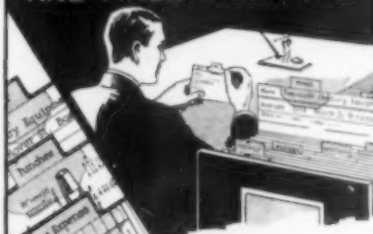
## European News

You will find the salient features of the week's news of business abroad in **The Business Week**. ¶ This publication maintains its own foreign bureau and a corps of salaried observers and correspondents in the principal foreign capitals and strategic business centers. ¶ Flashed by radio and cable, carefully checked and edited, these foreign despatches represent a costly but notable and characteristic contribution to the needs of busy business executives.

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# France Welcomes Soviet Trade, Moscow Bargains for Markets

**The Communists discover the need in the Plan  
for individual incentive, personal rewards**

MOSCOW is becoming a close bargainer. Moreover, the Soviets are playing a diplomatic game and having good luck with it. This week they conquered the last stronghold of belligerent trade opposition in Europe: Paris.

There is a deal of give and take in the new pact. France agrees to abolish the onerous license system on Soviet goods established last year. Russia removes the prohibitions on French products.

If there are definite specifications regarding credits for the Russians, or indirect compensation on repudiated French loans to Czarist Russia, they are not yet revealed. But the speed with which the agreement was reached leads the rest of Europe to anticipate that Paris will share in some of the large orders expected in August and September. Within a week after the memorable Briand-Litvinov luncheon in Paris, a Soviet trade delegation had arrived in France, and not even the serious, time-consuming German conferences prevented the conclusion of the agreement.

## Credit Cycle

Soviet orders move in a credit cycle. The peak of the business with the United States last year came in August and September, when more than \$53 millions in orders were placed here, largely for tractors and farm equipment. The peak of the American business in 1929 was in July. In 1928, the largest orders were placed in September.

There are 2 reasons for this. One is that much of the American business is in farm equipment. Orders placed in the summer can be filled in time for delivery before the spring sowing campaign. The other is that when a certain volume of credit is tied up in Russian business, the average company will refuse any further credit, despite Russia's impeccable record of payment, until the 6 or 9 months credit is cleared up.

It is this credit problem which creates a cycle of Russian business among the principal manufacturing nations. After the large volume of orders placed in this country last summer, business fell back to a normal level. Orders placed through Amtorg in the last quarter of 1930 totaled only \$17 millions. In the first 6 months of this year they are

about \$2 millions behind the very nominal record for the first 6 months of 1930. For April, May, and June they approximated \$20 millions; for the half year they run slightly over \$40 millions.

The prospect for heavy summer orders is not so good as usual. Russia is beginning to turn out tractors in her own factories. Great Britain, with a new \$50-million export guarantee, is likely to get some of the business.

Orders are still being placed in Italy on terms favorable to the Soviets under the new Italo-Soviet trade pact.

The new Russo-German trade pact, signed in April, is bringing German industry welcome orders now. In May these orders ran to \$19½ millions; in June to \$44½ millions. Total Russian business coming to Germany since

Jan. 1 runs to \$123 millions, or about 3 times the volume of orders placed in New York. In the first 6 months of 1930, only \$60 millions of Soviet business came to Germany.

## May Lose Market

The balance of the \$100 millions or more of Soviet business pledged in the trade agreement to be placed before Aug. 31 is now questioned. According to the agreement, Russia pays 20% cash with order, the balance on delivery in bills payable over periods ranging from 17 to 33 months "with interest at 2% above the Reichsbank rate." With the German discount rate raised to 10% to meet the present emergency, the advantages to Russia of long-term credits are largely swallowed up in a 12% interest rate. More important, unless confidence is restored in Germany, Russia will be deprived of its best export market, one which is essential to the success of its industrial and agricultural plans.

France is going after Russian business, is likely to open up at least a nominal sum for export guarantees for the electrical and rail equipment, motor and textile machine producers who ex-



THE NEW MOSCOW—One of the new workers' settlements in Moscow where whole cities are rising made up of model apartments. In most cases they are planned so that each family will have a 3-room or 4-room apartment. Because the housing program is behind the industrial building program in most places each family as yet has only 1 room



pect to draw Russian business. So long as new credits are coming from Europe, the full swing of the cycle of Russian business toward America is delayed.

In the meantime, the world has suddenly become conscious of a change that has been coming over Russia for many months. Stalin's speech in June crystallized a new policy—demanding more individualism in management and more responsibility among workers, as imperative to the successful realization of domestic production schedules.

#### **Piece Work Introduced**

As long ago as March (BW—Mar 4'31), *The Business Week* called attention to Russia's recognition of the weakness in the Soviet system where it concerns individual responsibility and, even more serious, the difficulty of getting enough skilled workers.

For months, labor in the factories has been paid on a slightly varying wage scale, depending on skill and responsibility. American engineers declare there were more than a dozen "categories" of laborers. Piece work was introduced in plants where production lagged.

The trial was successful. Stalin now consolidates and expands this experiment in an attempt to lower labor turnover, increase output, build up wider cooperation and responsibility. It may require a return to the 6-day week in some industries in order to make one man or group of men responsible for a certain machine.

It will mean diverting more food for domestic consumption. A chain of specialized wholesale stores is to be established to provide people regularly with more of the "decencies" of life. The system of rationing is going to be abolished as quickly as possible. As much a part of the Plan next year as steel and coal, is the determination to raise the standard of living, to win in a new way the interest of the workers.

#### **Carmody Report**

John Carmody, McGraw-Hill editor just returned from a survey of Russia, makes this observation on Soviet industrial management: "What the Soviets need now is less emphasis on group effort and more on individual responsibility. If some of the factories have failed to produce their quotas, it is largely because of the enthusiastic hooray incentive rather than careful individual effort. A general realization of this truth is no doubt behind Stalin's policy, and it will greatly help those American executives who heretofore have been trying to apply the American tempo without the spirit of American industry."

# SELF-ANALYSIS



**T**HIS is a period of self-analysis for corporations as well as individuals. Self-analysis is an outstanding characteristic of the managements of the great corporations today in order to effect all possible economies in this period of unusual business conditions and to prepare, through readjustments, for the better times ahead.

Through forty years we have been engaged at various times by the management of many great corporations in this country to assist in the problems of self-analysis. Today we have a large number of men engaged in such work.

*This is a regular part of our business.*

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# Public Debt Greatest Burden Every Nation Has to Bear

**Armament, social service dwarfed by comparison, detailed study of world budgets shows**

THE world financial crisis is merely the world's struggle to pay debts, constant in money value, but whose real value has risen proportionately as commodity prices have declined (see page 8).

Public debt service and amortization charges now constitute the largest single item of government costs in practically every nation on earth.

Armament and social service costs, long condemned as the cause for high taxes, are dwarfed by the debt costs. The United States and 15 European nations this year budgeted \$2,659 millions for armaments, \$3,370 millions for social services, and \$4,717 for debt amortization and service.

## Relief Needed

The weight of these burdens finally necessitated some relief. For this fiscal year, war debts and most reparations payments have been suspended. But this moratorium is only temporary. The burden remains, to be resumed next July 1. It is this permanent incubus of debt which constitutes the basis of all international discussions, not the temporary figures resulting from this year's moratorium. (For the extent of the temporary relief see *BW*—Jul 1 '31.) *The Business Week* is able to present a comprehensive picture of what the total burden is, excluding any consideration of temporary alleviation, as a result of a detailed study by its European News Bureau.

The debt load rests most heavily on the industrial and financial nations. Annual charges are summarized by groups of nations in the table on this page. This table summarizes the complete tabulations for individual nations which are available at this office on request.

## England Hard Pressed

England's debt costs are \$40 per capita, and representing 40% of total federal expenditure, vastly exceed those of any other nation. Throughout industrialized western Europe the burden is heavy, though much less than in England. Frenchmen pay \$10.71, Germans (including total reparations) \$10.05, Belgians \$12.13, and Dutch \$11.28. The Swiss are the only ones in the group with less, \$5.75. Average for

the 6 nations is \$18.15 per capita, which is about one-third of government costs.

Leaving the industrial-financial nations, the burden drops sharply. For the 2 Mediterranean nations it is \$5.17 a head, while the average for the 7 agricultural nations of Eastern Europe is but \$2.56 per capita. Even so, debt costs still take a large part of total governmental costs, though likewise less than Western nations—23.8% for the Mediterranean nations and 16% for the Eastern countries. The highest per capita cost in either group is Greece with \$6.45, or 30% of her total budget.

The United States stands between the industrial-financial nations and the agricultural countries. Our costs are \$8.45 per head, accounting for 28.8% of Mr. Mellon's budget.

## German Per Capita Low

Comparison between French and German costs reveals a striking fact. Including total reparations costs under the Young Plan, the German per capita burden is \$10.05, actually lower than French costs of \$10.71. Yet Germany had to have part of her burden removed. The answer is that so much of the French debt is owed to Frenchmen; Germany's payments are sent abroad.

The figures also show that Europe for the past year has made little savings on debt costs for the past year, while the United States has been able to make substantial cuts. Roughly this shows that this country has received benefits of lower interest rates while Europe has not. Our per capita cost is budgeted at \$8.54 this year, a decline of 16%. The aggregate for Europe's 15 nations is a decline of only 2%.

## Cost Will Rise

The same fact stands out in percentage of expenditures which go to debt costs. We required 33.4% a year ago against a budgeted 26.7% this year. Europe required 29.5% last year, would have required 28.8% this year had it not been for the moratorium. Since she must add some of this year's postponed payments to next year's charges, the cost will rise with the 1932-33 budgets unless further relief is granted.

## Slump in Silver Aids Chinese Wool Industry

TIME was when an inch, more or less, on a Chinaman's "shirt tail" made or broke the cotton market. At least cotton merchants, looking at China's market of 440 millions, believed that such was the case.

Whatever may be the truth of that tradition, it is being recalled now by the growing popularity of wool in China. European clothing has long appealed to the more aggressive Chinese, but the price of woolen suits was prohibitive except for the wealthy.

## European Public Debt Service and Amortization

(This table presents the actual debt structure which is the basis for all debt discussions. It does not allow for temporary moratorium changes.)

Countries	Expenditures (\$ Millions)		% of Total Expenditures	Per Capita Expenditures
	1930-31	1931-32	1931-32	1931-32
England.....	1,795	1,795	40.8	\$40.34
England and 5 Western Powers <sup>1</sup> .....	3,208	3,085	31.7	18.15
Italy and Spain.....	321	331	23.8	5.17
7 Eastern Countries <sup>2</sup> .....	239	251	16.0	2.56
Total 15 Countries...	3,768	3,667	28.8	11.08
United States.....	1,254	1,050	26.7	8.54

<sup>1</sup> England, France, Germany, Switzerland, Belgium, Holland.

<sup>2</sup> Poland, Czechoslovakia, Austria, Hungary, Roumania, Yugoslavia, Greece.

The lack of a mass market prevented the growth of a native wool industry. Recently patriotic societies have campaigned for the long native costume made of native cotton or silk.

The slump in silver exchange, however, has proved more effective than either boycott or tariff in keeping foreign wools off the market though it hasn't affected the popularity of woolen garments, whether European or native in style.

#### Chinese Shrewd

Shrewd, the Chinese merchant is advantaging himself of the barrier to foreign goods, is developing a woolen industry of his own. And it is likely to survive, for the demand for woolen clothing for winter apparently is spontaneous and genuine.

#### German Post Office Seeks Safety in Numbers

EVERY German city, town, and hamlet has now received a postal number. It took 2 years to complete the numeration. The idea first came from Russia. The purpose is to avoid miscarriage of mail to similar addresses. The country has been divided into 9 areas. The number of each area constitutes the first digit of a given place-symbol. Each area is again divided into 9 districts and so on until the smallest hamlet has been covered. The smaller the town, the larger its numeral. Some carry numerals of 4 and 5 digits.

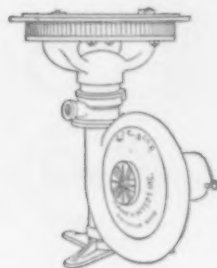
Many European place-names are names of saints. Duplication is frequent. It is an axiom that there may be safety in numbers.

#### Diplomats to Negotiate On St. Lawrence Waterway

WASHINGTON understands that Major William Duncan Herridge's first official act as the new Minister to the United States from Canada was to recommend to President Hoover that negotiation of the treaty for undertaking construction of the St. Lawrence waterway be made through diplomatic channels rather than through the proposed joint commission.

#### Won't Quibble

While our government leans to the commission plan of settlement, the President is not likely to quibble on the manner of approach if the Dominion government feels that direct negotiation is the quickest means to an understanding that will permit the work to go ahead.



## We've motorized the Janitor

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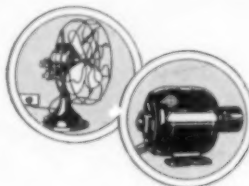
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## Germany Upsets Plans For World Nitrate Cartel

THE world nitrate cartel, embracing Chile and European synthetic producers, collapsed when efforts made during the last two months failed to prolong it.

The break-up occurred when Germany, while the producers were meeting in Lucerne, suddenly and unexpectedly promulgated an emergency decree, immediately effective, imposing a prohibitive duty of \$30 a ton on nitrogenous fertilizers and Chilean nitrates. As all nations affected by this decree are protected by trade agreements, except Chile, this move was interpreted by the Chilean delegates as unduly discriminatory and they immediately withdrew from the conference.

### Schedule Not Issued

The Chilean producers are thus left free to resume open market sales, such as existed before the international pact was signed. Their schedule of prices for nitrate of soda for the current season has not been issued as yet.

The effect of the collapse has been a sharp break in the price of sulphate of ammonia, an important source of synthetic nitrate. Quantities of foreign sulphate of ammonia, mainly of French and Belgian origin, are reported being offered here at \$4.50 a ton below the domestic price of \$32 a ton.

### Overexpansion the Difficulty

The root of the difficulties in the nitrogen industry is overexpansion. During the early post-war years, Germany had developed her synthetic industry to vast proportions. Since then, France, Belgium, Italy, England, and Norway, realizing the vast importance of this peace-wartime industry, have also been expanding their own national interests with the aid of subsidies and tariff walls. German capacity alone is equal to twice world's consumption, thus implying a savage price war in the event of a breakdown of inter-European agreements.

### Call Armistice

European producers, after failure of the Lucerne meeting, decided on a 2-week armistice, which time is to be used for conferences in order to try to salvage the cartel from complete disorganization, and in hope that eventually a pure European pact will be possible.

Business generally is pondering the possibilities implied in the closing statement of Dr. Schmitz, chairman of the conference, that international cooperation is still possible either through the closer financial interlocking of the large producers or by creating a world selling pool.



# Business Abroad—Swift Survey

## Of the Week's Developments

From Paris to London to Berlin, bankers and statesmen move, change their environment, but find no solution to the world financial crisis. ... The week's most critical development was the drastic gold drain on London. Increase in the discount rate to 3½% stems the flow, at least temporarily. ... French markets dull, prices down. ... Hungary extends local banking moratorium, awaits developments in Germany. ... Italy is perturbed over the developments in London, is watching local banks closely. ... German business is suffering from prolonged credit restrictions. Second bank failure in Bremen affects shipping. ... Chile's moratorium focusses Latin American interest. ... Japanese business is dividing attention between the threatened Chinese boycott and European developments.

### World Business Awaits Debt Plan Development

EUROPEAN NEWS BUREAU (Cable)—Business activity has been subjected to a process of refrigeration and is awaiting new developments of the crisis in Germany whose foreign trade is completely disrupted by measures for government control over monetary disturbances. Stock markets are temporarily hibernating; conditions in commodities are no better.

The most disturbing factor of the week is the fresh drain on British gold, amounting to \$85 millions in the 6 days before the discount rate was raised to

3½%. The French and Dutch were the greatest takers.

The British position, as an international banker, is likely to be sorely tried in the next few days despite the current opinion of the English that they can easily weather a \$150-million gold loss without undue inconvenience to the London money market. The present rate of efflux, however, is too precipitate to continue more than another week without producing an analogous financial crisis such as Germany has just experienced. This is due to inadequate knowledge by foreign countries of real internal conditions. According to Parker Willis, this is the most important reason why Germany was allowed so long to continue in the un-economic plight which has existed for many months.

### Money Market Threatened

The fact remains that despite the dogged optimism of the British regarding their ability to tide over this critical period, France and Holland are not so optimistic. French holdings alone in England are conservatively estimated well above \$1 billion in balances and deposits, together with holdings of bills and treasury bills which as customary, at first premonition, she will repatriate. This would weaken, if not entirely wreck, the English money market. The feeling is not uncommon in France that French banks should withdraw these funds from England in retaliation for the recent English pro-German sympathies.

Moscow adroitly suggests that the only real point of contact in the 7-power

conference in London was the fear of a general proletarian revolution. Otherwise, everybody was for himself.

Russian business has forced itself to the front even in the midst of conference news. The Franco-Soviet trade treaty is settled and French manufacturers are after Russian orders. From Berlin comes the report that Soviet business in May and June, under the new trade pact, totaled more than \$60 millions. London discovered this week that arrangements are being made by the Russians to place orders for \$30 millions of British machinery this year. Negotiations for the purchase of tied-up British ships have not yet been abandoned though England refuses to allow the transactions to come under the export credit guarantees grant.

### Raise Discount Rate

Central Europe is in a critical position which is likely to follow the German trend. Austria has raised the discount rate from 7½% to 10%. Hungary has found it necessary to continue its banking moratorium, is still hoping for a foreign loan to tide over the current stringency in government finance.

Germany's trade penetration of Central Europe in the direction of the Balkans continues. A new trade treaty has been signed with Hungary which grants a preference in Germany on Hungarian wheat in return for reduced tariff rates on certain machine tools (which German manufacturers are especially well equipped to supply) entering Hungary. The preference clause makes the treaty subject to the approval of other countries with which Germany has most-favored-nation treaties, which means there are serious obstacles to be overcome before it can go into effect. In the offing is yet another agreement between Germany and Yugoslavia.



SMILES OF VICTORY—This delegation of representatives of the American motion picture industry looks pleased after succeeding in opening the doors to American films in France by securing the abolition of the quota basis

## French Business Timorous; Prices Generally Down

Business sensitive to British and German developments. . . Stocks erratic but generally down. . . Soviet orders expected.

PARIS (*Radio*)—Business has been doubly sensitive to news from London. Of basic importance is the outcome of the London 7-power conference and the meetings following in Berlin. Related, is the critical situation which has developed in Britain's own banking world and which has caused heavy London withdrawals by France and Holland.

The Bourse is erratic with prices generally down. Commodities followed the world trend with no unusual activity in any line. Signing of the trade agreement with Russia (page 32) has roused the interest of manufacturers of electrical equipment and machine tools who anticipate a prompt renewal of Soviet business on a much larger scale.

## Restriction of Credit Halts German Business

Business is increasingly hampered by credit restrictions. . . Prices steady but general retail trade at standstill. . . Two serious failures affect Bremen. . . New trade treaty with Hungary.

BERLIN (*Cable*)—Despite the gradual relaxation of the bank moratorium, business is increasingly hampered by other restrictions added daily by new emergency decrees. Under this drastic paralysis of the credit machinery, the country cannot keep going for long.

That business and the public are doing their best to adapt themselves to the régime of mitigated bank holidays and still are showing remarkable discipline was manifested in Berlin Monday when the banking moratorium was partially removed. Only 4% of the depositors in savings banks availed themselves of the new opportunity to secure small cash payments. Food supplies are functioning normally, and prices have not increased. Other retail trade is practically dead. Buying is reduced to an absolute minimum suggestive of the complete absence of inflationist psychology. Street rioting has been exaggerated in the foreign press. Actually it is limited to a few western towns and even there the police force is in absolute control.

Endeavors to save Nordwolle by a special government moratorium which

would secure time for refinancing negotiations have failed and bankruptcy proceedings have opened. This endangers the maintenance of even the sound components of the big export and import house.

The fate of Danatbank is not yet settled although the government trustee, Doctor Bergmann, has assured representatives and 7,000 employees that he hopes to save the bank. Everything is still uncertain because the value of assets cannot be appraised before the opening of the Boerse.

### Bremen Bank Closes

The general crisis and the crash claimed a new victim when the Schroeder Bank at Bremen closed (not connected with Henry Schroeder of London). The bank is a dominating factor in Bremen business, which centers around the shipping interests of the North German Lloyd, Hansa, Hamburg-South American services, a number of shipbuilders including Deschimag (on the verge of bankruptcy), around the North Sea fisheries, and Nordwolle, big wool house. It is a severe blow to the Bremen trade. The entire capital surplus of \$7 millions is lost, and possibly other funds. Efforts to refinance or save the company, possibly with the state of Bremen guarantee, are in progress but the outcome is uncertain. Both Danatbank and Schroeder Bank were important factors in the merger and current financing of Hapag-Lloyd. It is officially

admitted that the loss to the North German Lloyd from the Schroeder failure is limited to \$1 million. Actual losses to other shipping companies are unknown.

Rumors are current that Americans are interested in public utilities with the object of taking over properties in some of the financially distressed communes. Allegedly the National City Bank shows an interest in the communal owned shares of Rheinisch Westfaelisches Elektrizitaetswerk—A. G.

The bank crisis has resulted in the catastrophic drop of tax receipts in the first half of July and caused the government to raise the interest on tax arrears to the exorbitant rate of 10% a month.

### Wheat Treaty Signed

A German-Hungarian treaty has been signed granting preference to Hungarian wheat and thus complementing the German-Roumanian corn and barley preference arranged last month. But, as in the former case, the treaty cannot become effective without the consent of other nations holding most-favored-nation agreements with Germany, which means that other nations will probably demand equal preference. Germany can get around this demand only by maintaining the Grain Import Monopoly which can limit orders to specified treaty countries in Central Europe.

The preferences Germany proposes to grant Hungarian wheat are framed in



VANKS SHOW 'EM HOW—Two typical American oil drillers, at the extreme right, teach the natives the art of handling a drill of the Rotary Drill—Romana Americana Oil Co., Roumanian branch of Standard Oil

accordance with the recommendations of the Pan-European committee of the League of Nations for solution of the problem of competition of Central European grain with overseas grain in European markets. Since the failure of the world wheat conference in London, Germany is the only European industrial nation which has showed readiness to grant preferential treatment to European grain growers. Germany's overtures in the direction of Central Europe, however, are likely to meet firm opposition from the United States and especially from France, who is of the opinion that she has first mortgage on these states.

## Gold Drain Menaces Business in England

Business subdued but not panicky. . . . Markets, except money and stocks, quiet and steady. . . . Trade balance unfavorable. . . . Business leaders react to crisis.

LONDON (Cable)—The increasing seriousness of the German crisis, the reality of having the negotiating statesmen of 7 countries meeting in London, the menacing gold drain—\$120 millions left England in 7 days—all have had a sobering influence on business. There are, however, no signs of panic. Stock and money markets have reacted most conspicuously but, except for erratic fluctuations of the exchange rate, there has been no great change during the week.

### Commodities Weak

Cotton and woolen textiles, iron, steel, and coal are all quieter. Of all the commodity prices, tin and corn show the greatest weakness. Wheat and coffee are up. The first empire sugar conference is meeting in London with 40 delegates attending. Marketing problems occupy the center of attention, with empire preference urged.

Overseas trade figures for the first 6 months are unsatisfactory:

Imports (000,000 omitted)		
1931	1930	1929
£417	£541	£604
Exports		
£234	£354	£419

The adverse visible balance of trade shows no reduction in the excess of imports over exports corresponding to the fall in prices during the period, reflects the worsening trend since 1929.

The situation in the cotton trade

reflects the general trend. In value, exports for the last 6 months totaled only £28 millions, which is a decline of £23 millions on 1930, and nearly £42 millions on 1929. That this was more than a decline in values is shown by the fall in the volume of piece goods exported. This spring only 848 million square yards were shipped out of Britain, in contrast to the 1,487 millions in 1930, and nearly 2,000 millions in 1929.

Iron and steel exports this spring were less than half of the total in the same period in 1929. Foreign orders to British shipyards dropped from £8.8 millions to £6 millions.

### Opinion Changes

British thinking in relation to the European crisis is changing as rapidly as it is in other countries. It is significant to note the prevalent attitude of London bankers to the German request for loans. In most cases there is the feeling that London can do little more than guarantee that there will be no fresh withdrawals from Berlin, a course which other money capitals must follow. What is not generally emphasized is that the Bank of England and associated banks are already heavily committed in Europe and that they positively fear further commitments. Some finance houses have already had narrow escapes from following the course of the Credit-Anstalt and the Hungarian Credit Bank. The "Big Six" (the "Big Five" clearing banks plus Martins) are as safe as the Bank of England itself, but they have suffered terrible diminution of their hidden reserve position partly from being tied up with the distressed industries—cotton and shipping in particular—and partly from the reactions of Australia. There are also heavy commitments in South America to be considered.

### Outlook Gloomy

The European background has as its foreground here the Home Budget position. With the discrepancy in Snowden's calculations, must be reckoned now the Budget sacrifice necessitated by the debts holiday. The outlook for British trade next April is not happy, for even if the upturn has come, the home purchaser will be bearing a heavy national load which cannot but handicap him in the pursuit of his share of the world's returning prosperity. To this must be added the scout resistance of the labor unions to reduced hours or pay, which is preventing the lowering of costs in many countries.



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## Business in Italy Slow Due to Seasonal Decline

Industry, agriculture, and the exchanges react to German situation and seasonal decline. . . . Close relations between German and Italian banks worry business leaders. . . . Certain agricultural prospects better.

MILAN (Radio)—Italy's industrial activity is reacting seasonally downward. The slight improvement noted in textiles, especially cotton and wool, following Hoover's moratorium proposal, has subsided. Chemicals, iron and steel, and the mechanical industries are receiving only a few orders. Hopes for business revival in the fall, prevalent until a few months ago, have almost completely vanished. Increasing unemployment, and the gravity of the German situation are having a depressing effect on business.

The agricultural situation is analogous to the industrial, with continued price decreases in almost every category of farm products. Crop prospects, however, are still favorable. No final wheat figures are yet available but estimates continue well above those of last year. Corn, grapes, and olives also are reported above average, while exports to various European countries of oranges, lemons, and vegetables have been exceptionally good.

The Stock Exchange continues nervous, the trend downward. Business men are especially perturbed by the fear of depreciation of the Reichsmark

which would automatically increase German competition in rival markets. Moreover, it might wreak damage on Italian banks which are connected with Berlin, though Italy has granted no loans to Germany. The Bank of Italy is still in a strong position.

## Conditions Unimproved In Latin America

Conditions unimproved. . . . Chile forced to suspend foreign service payments. . . . Argentina maintains favorable export balance but exchange weak.

THE Latin American situation has not shifted this week. Despite continued heavy exports, Argentine exchange was weaker. According to American figures, Argentine exports of cereals and linseed during the first 6 months of this year increased 94% in volume, but only 4.3% in value. June showed the greatest improvement. Exports increased 147% in volume and 15% in value over June 1930.

Chile is focussing banking attention. With a moratorium declared on foreign debt service, the country is in a position not altogether unlike the German. Chile is heavily overborrowed. Current service charges have been met with short term credits which more than half a century of perfect credit rating made comparatively easy to secure.

The government still depends heavily

for revenue on the export tax on nitrate. Copper is the second important export. Prices on both are very low; demand is weak. The expensive reorganization of the country's nitrate industry will cut costs but with Europe's synthetic industry overproduced and each country building tariff walls, Chile is faced with diminishing markets.

## Desperate Expedient

If the country falls back on its moderate gold reserve to meet foreign service charges, it jeopardizes its currency stability. Therefore it has resorted to a rather desperate expedient. Its foreign service charges are being paid into the Central Bank in pesos when due. Foreign bond holders will be forced to wait for interest payments.

The New York market has largely discounted the move of the Chilean government for a debt moratorium, as Chilean bonds have been under pressure for some time. The prospect is not bright. A new loan is out of the question with the bond market in its depressed state and the immediate economic conditions in Chile no more promising. Drastic government economies can have only a gradual effect.

While it is not impossible that the situation can spread, no new Latin American countries are threatened.

## Japanese Foreign Trade Shows Improvement

Little change in conditions. . . . Foreign trade balance turns favorable. . . . Boycott threat from China less serious.

THERE is small change in the Japanese outlook this week. With the rest of the world, Japan's markets were cautious, nervous, pending the outcome of European conferences. Prices changed but little, raw silk falling slightly and cotton and cotton yarn firming.

Foreign trade has turned favorable with the beginning of the raw silk export season and the decline in cotton imports. Exports during the second 10 days in July totaled \$14½ millions, imports \$11½ millions, leaving Japan with a favorable balance of \$3 millions. Japan's unfavorable balance of trade in the first half of this year totaled nearly \$55 millions.

Threats of a boycott on Japanese goods by Chinese merchants are less threatening this week. Negotiations in Tokyo and Nanking are removing a part of the friction which developed over the Korea troubles.



POLAND'S PITTSBURGH—The great Huta Pokoju foundry in Upper Silesia. This whole region is hamstrung by the German bank holiday, and French money is sought to replace the German financial system now serving it



"**N**o one who reviews the past and realizes the vast strength of our people can doubt that this, like a score of similar experiences in our history, is a passing trial. From it will come a greater knowledge of the weaknesses of our system, and from this knowledge must come the courage and wisdom to improve and strengthen us for the future."—PRESIDENT HOOVER, at Valley Forge, May 30th, 1931



**B**USINESS leaders already have strengthened some of the weaknesses in our economic system. One notes a radical change in executive procedure. Far-sighted men are concentrating the sales drives of their companies; not trying to compete in sparse, far-flung markets. Their advertising campaigns, too, are molded along the same lines. There is business to be had—and these men are getting it.

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You, as one of this group, know what *The Business Week* means to them—know how they find time to read its pages. Here you can present your sales opportunities to them, not to the subordinates who cannot buy. Here you are sure of an interested hearing. A full page advertisement in *The Business Week* costs less than a penny for each sales message delivered!





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JOHNSON CITY . . . Workers Trust Company  
CORTLAND . . . Cortland Trust Company  
ROCHESTER . . . Union Trust Company  
ALBION . . . Orleans County Trust Company  
LOCKPORT . . . Niagara County National Bank & Trust Co.

BUFFALO . . . Marine Trust Company  
EAST AURORA . . . Bank of East Aurora  
JAMESTOWN . . . Union Trust Company  
LACKAWANNA . . . Lackawanna National Bank  
SNYDER . . . Bank of Snyder  
TONAWANDA . . . First Trust Company  
NORTH TONAWANDA . . . State Trust Company  
NIAGARA FALLS . . . Power City Trust Company

## Wide Reading

**PHARAOH DREAMS AGAIN.** Sumner H. Slichter. *Atlantic*, August. Why are businesses able to pay record dividends in a year of pronounced depression? Why not give the unemployed jobs instead of doles? We should force industry to pay an unemployment wage. Penetrating, frank, pertinent.

**DISTRIBUTION PROBLEMS OF THE OIL INDUSTRY.** Sidney A. Swensrud. *Harvard Business Review*, July. A distribution climax has been reached because of (1) the declining rate of increase of gasoline consumption, (2) the increasing yield of gasoline from crude oil, (3) the increase in potential production of crude oil.

**MR. CHADBOURNE MAKES A PLAN.** *Fortune*, July. The plan for a world agreement in the sugar industry, the countries involved, the man who carried the plan through.

**THE FARMER AND FOREIGN TRADE.** Arthur Capper. *Foreign Affairs*, July. Outside of cotton, tobacco, and perhaps lard, our foreign market for farm products is limited. Facts concerning our country's foreign trade trend.

**COLLECTIVE CAPITALISM.** George H. Hull, Jr. *North American Review*, July. If we lower wages, then build, we will relieve depression. Labor will balk until it is promised a share of the profits when they begin to mount.

**A "FIVE-YEAR PLAN" FOR AMERICA.** Charles A. Beard. *Forum*, July. It includes a National Economic Council, repeal of the Sherman Act, creation of a Central Board of Strategy to regulate production and raise the standard of living, the coordination of research under the Bureau of Standards, the creation of Syndicates to tie together branches of industry.

**THE MANUFACTURERS AND THE UNEMPLOYED.** J. Douglas Brown. *Current History*, July. Moves made by progressive manufacturers to prevent unemployment, to aid those already out of work, to meet the growing problem of technological unemployment.

**HOW ARTISTS CONTRIBUTE MERCHANDISING IDEAS.** Roy Sheldon. *Printers' Ink*, July 2. When the pickup comes the distributors with dressed-up packages will be on the top. More companies who have called in the industrial stylist.

**THE CANADIAN CUSTOMS TARIFF ON IRON, STEEL, METALS, AND MACHINERY.** *Canadian Machinery and Manufacturing News*, June 25. Itemized tariff lists for the American exporter to Canada.

**TODAY'S TREND IN WINDOW DISPLAYS.** Herschel Deutsch. *Advertising Arts*, July. The newest, and the theories behind it. Well illustrated.

**TRADE PREFERENCES ACCORDED GOODS MADE IN BRITISH EMPIRE.** *Canadian Machinery and Manufacturing News*, June 25. Special preferences for products manufactured in Canada. Of interest to the American manufacturer with branches in Canada.

**COMMERCIAL AVIATION—ILLUSION OR FACT?** Edward P. Warner. *Yale Review*, July. Aviation is in a critical period. Its future depends on the continuance for another 2 years of the present measure of federal financial support and on reasonable freedom from governmental regulation.

# The Figures of the Week And What They Mean

Seasonal dullness of business activity is enhanced by continued uncertainty of any improvement in foreign prospects in the immediate future. . . . But a number of business indicators suggest that a resistance level is being maintained and some encouraging domestic advances scored. . . . Steel operations as a whole are unchanged, though the U. S. Steel Corp. is reported to have stepped up production. . . . Building construction declined more than seasonally expected. . . . Electric power production continues a steady upward trend, while carloadings hold about the pre-holiday level. . . . Currency circulation declined but slightly, indicating continued consumer-hoarding of cash rather than increased trade activity. . . . *The Business Week* index of general activity has changed slightly in the past few weeks, standing at 76% of normal for the week of July 18 against a revised figure of 76.8% the preceding week.

THE trade journals report very little change in demand for steel products. Consumers remain extremely cautious. Dow, Jones estimates that steel ingot operations for the week of July 20 were slightly better than the 31% of capacity rate of the preceding week. An increase of 2% in the rate of the U. S. Steel Corp. was largely offset by further shrinkage in production activity by the independents. Our adjusted index of steel production remains unchanged at 48% of normal.

## Motors

Automobile production requirements continue to taper as August approaches though producers offering new models are supporting some districts. Detroit employment on July 15 is reported at 68.2 compared with 73.2 on June 30 and 58 a year ago, according to the Detroit Board of Commerce, whose index base covers the years 1923-1925. The June survey of employment in manufacturing industries reflects the

curtailed demand for steel from consuming industries. The U. S. Bureau of Labor Statistics reports a 12% drop in employment in agricultural implement concerns, a 6% decline in automobile concerns, a 4% decline in foundry and machine-shops and a 5% drop in the iron and steel industry.

## Steel

Construction enterprises continue to be the chief support of the steel industry. Fabricated structural steel bookings for the week of July 4 rose sharply from 37% to 76% of capacity of the concerns reporting to the Department of Commerce. The outlook for fall buying by the chief steel consumers, namely the railroads, the motor industry and the construction industry, is not particularly bright at the moment, though some seasonal improvement is looked for at the end of the summer.

Building construction during the first half of July fell off considerably more than anticipated. For the week ending July 3, the construction index stood at 61% of normal for the fifth consecutive week, but for the week of July 10, a drop to 59% of normal occurred, which level will probably be maintained for the following week. Total contracts

	Latest Week	Preceding Week	Year Ago	Five Year Average 1926-1930
<b>THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....</b>	<b>*76.0</b>	<b>†76.8</b>	<b>94.8</b>	<b>.....</b>
<b>Production</b>				
Steel Ingot Operation (% of capacity).....	31	31	58	75
Building Contracts (F. W. Dodge, 4-week daily average in thousands)....	\$12,080	\$12,538	\$22,892	\$22,866
Bituminous Coal (daily average, 1,000 tons).....	*1,111	1,192	1,310	1,482
Electric Power (millions K.W.H.).....	1,667	1,655	1,693	1,517
<b>Trade</b>				
Total Carloadings (daily average, 1,000 cars).....	127	134	153	170
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	85	89	98	108
Check Payments (outside N. Y. City, millions).....	\$4,390	\$4,247	\$5,556	\$5,753
Money in Circulation (daily average, millions).....	\$4,828	\$4,858	\$4,470	\$4,733
<b>Prices (Average for the Week)</b>				
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$ .43	\$ .46	\$ .79	\$ 1.23
Cotton (middling, New York, lb.).....	\$ .094	\$ .092	\$ .132	\$ .182
Iron and Steel (STEEL composite, ton).....	\$30.98	\$30.98	\$33.14	\$35.76
Copper (electrolytic, f.o.b. refinery, lb.).....	\$ .076	\$ .077	\$ .110	\$ .140
All Commodities (Fisher's Index, 1926 = 100).....	69.8	70.4	83.4	94.5
<b>Finance</b>				
Total Federal Reserve Credit Outstanding (daily average, millions).....	\$954	\$959	\$1,003	\$1,223
Loans, Investments, Federal Reserve reporting member banks (millions).....	\$22,415	\$22,487	\$23,106	\$21,496
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$8,002	\$7,968	\$8,508	\$8,748
Security Loans, Federal Reserve reporting member banks (millions).....	\$6,633	\$6,668	\$8,397	\$6,987
Brokers' Loans, N.Y. Federal Reserve reporting member banks (millions).....	\$1,416	\$1,430	\$3,226	\$3,800
Stock Prices (average 100 stocks, Herald-Tribune).....	\$120.60	\$121.01	\$163.95	\$152.74
Bond Prices (Dow, Jones, average 40 bonds).....	\$95.75	\$95.71	\$95.61	\$95.48
Interest Rates—Call Loans (daily average, renewal).....	1.5%	1.5%	2.2%	5.2%
Interest Rates—Prime Commercial Paper (4-6 months).....	2%	2%	3-3½%	4.5%
Business Failures (Dun, number).....	428	389	452	411

\*Preliminary

†Revised

awarded in the 37 states during the first 12 days of July were valued at \$127,098,200, which represents a decline of 17% from June on a daily average basis and 25% from July, 1930. The F. W. Dodge Corp. anticipates that the third quarter of 1931 will compare more favorably with the comparable period of last year than the first two quarters of 1931. A decline of about 20% is predicted for the next three months compared with 1930, as against a 24% decline in the first quarter of 1931 and 37% in the second quarter.

### Building

Though the volume of public works and utilities contracts awarded from July 1 to July 15, valued at \$49,047,600, accounted for slightly more than the non-residential awards, the daily average comparison with June was the most unfavorable of the 3 groups reported by Dodge. Non-residential awards totaled \$48,305,100, which on a daily average basis is slightly ahead of June but over 35% behind a year ago. Residential contracts, totalling \$29,745,500, were 11% behind June and nearly 26% behind July 1930 on a daily basis.

Bituminous coal production gained about 12% over the holiday week, but on a daily basis a decline was reported, bringing our adjusted index to 59% of normal compared with 63% the preceding week.

Electric power production has moved slowly upward since the beginning of June in line with the usual seasonal trend. For the week of July 18, our adjusted index has moved upward to 93% of normal compared with 92% the preceding week. An analysis of the May report of the consumption of electric power by the National Electric Light Association mentioned last week

indicates that the decline in power consumed by the group termed as small commercial users was the first drop since the industrial depression begun. This decline is partly accounted for by the decreased number of small retail stores and by the decided decline in the enthusiasm for miniature golf.

Total carloadings gained a little over the level of the last week in June, though the daily average loadings returned to the same level as before the July 4 holiday. Grain loadings have doubled in the past 4 weeks and are now above those of the past 2 years for comparable weeks. Loadings of miscellaneous and less than carlot freight did not recover to the pre-holiday level, but this is in line with the usual trend. Our adjusted index declined to 72% of normal from 77% the preceding week which was strongly affected by the holiday.

Bank debits for the week of July 15 increased less than expected, so that our adjusted index of check payments in 140 cities outside of New York declined from 86% of normal to 83%. The increase over the preceding week was slightly over .3% compared to 16% a year ago.

### Currency

While currency circulation declined \$30 millions, this was less than expected after the holiday demands had passed. The total remains at a very high level. Since the beginning of numerous and important bank failures in November, 1930 through June, 1931, currency withdrawals have been heavy. Hoarding of money by individuals and the increase of vault supplies by banks have distorted the trade significance of the index of currency circulation for the present. Our index stands at the

### The Index

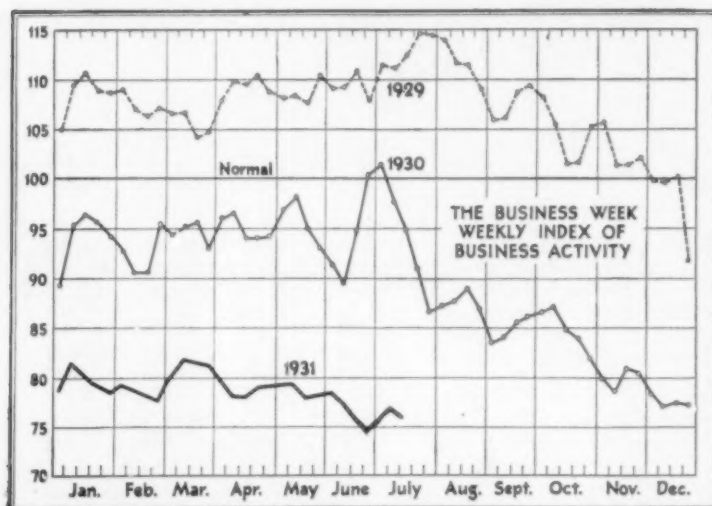
The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

level of 119% of normal compared with 118% for the week of July 11.

The June report on wholesale prices of the U. S. Bureau of Labor Statistics confirms the continuance of the downward trend of major commodities. The decline in 550 commodities from May amounted to slightly more than 1½%, with farm products suffering the greatest loss of about 2½%. Increases were reported in cheese, poultry, lard, coffee, hides, skins, and anthracite coal. Retail food prices in 51 cities declined a little more than 2% from May to June, with items such as butter, lard, eggs, and rice averaging below the 1913 level. In the past week, wheat prices at Chicago strengthened slightly. Cotton prices weakened. The non-ferrous metal markets were featureless. Copper sold at 7½¢ to 8¢ a pound. A fair foreign business developed. Zinc was dull. Zinc production has been curtailed about 23% during the first half of 1931. Lead prices were unchanged at 4.40¢ New York. June lead stocks declined for the first time in more than a year.

Low prices have been forecast for wheat for the 1931-1932 season as a result of the world yield and the existing surplus. The low prices of Kansas wheat has led to considerable political and economic distress, with the Farm Board opposed to the demands for "farm debt moratorium" and continued wheat purchases.

Commercial loans continue upward. Our adjusted index rose to 115% of normal for the week of July 15 compared with 113% the preceding week.





# Trends of the Markets

## In Money, Stocks, Bonds

Dullness ruled the stock market, though the trend line continues upward. . . . Foreign bonds fluctuated on disturbed conditions abroad; the market was otherwise featureless. . . . The Federal Reserve permitted sources of money and credit to decline.

### Reserve Contraction No Aid to Situation

THE Federal Reserve followed a policy of credit contraction this week when expansion was badly needed. Instead of offsetting gold losses due to French withdrawals of funds it forced member banks to increase their borrowings sharply. This, of course, tended to make money tighter. Money in circulation declined again, but not enough to offset the decreases in the sources of money occasioned by gold and Reserve credit losses.

The bank credit liquidation outside of New York City continued, the total now being lowest since early 1930. The New York total also declined this week.

The stock market required less money, brokers' loans declining another \$14 millions almost to the lowest total ever reported. Out of town banks and "others" increased their loans, permitting large withdrawals by New York banks.

Money rates were virtually unchanged. New York City banks increased the rate

to acceptance dealers from the  $\frac{1}{2}\%$  that has prevailed for some time to  $\frac{3}{4}\%$ . Bills were in demand, but the supply very poor.

So far as the weekly report of the Reserve system from Wednesday to Wednesday showed, not the slightest operations were undertaken to help the foreign situation. Instead, nearly all of the already small balances were withdrawn from foreign banks. The banks of nations other than France increased their short-term funds here for the first time in several weeks.

### Stocks React But Little To World Developments

THE relatively few common stock buyers and sellers who were doing any buying and selling favorably interpreted domestic and foreign developments throughout the early part of the week. The market was duller, then, than it has been since 1926, but unfavorable events which followed stirred up a sizeable reaction. However, the trend line of the market since the first of the month continues upward.

Most of the week was characterized by scattering signs of betterment in the domestic business situation, and by trade suspension in Europe. The high yields to be had contrasted favorably with low interest rates at the banks. Security holders, uncertain about devel-

opments, hesitated to sell. And stocks held by the financially weak have largely been liquidated. The bears found little comfort in a dull market with the heavy pressure being exerted on them to stay out.

First of the unfavorable developments, in market opinion, was the Hoover proposal for settlement of European troubles. The market feels that much more aggressive action is needed than a freezing of the present situation.

Second was the withdrawal of funds from England. This frightened people already jumpy as a result of the withdrawals from Germany. And, finally, definite signs of unfriendliness to the railroad rate increase appeal appeared in the questioning before the I.C.C., set out vigorously by Commissioner Eastman. Earnings statements have had some scattered but not very general effects as yet.

### Watch and Wait

Several of the important market advisory institutions advise their clients to watch and wait, are among the factors which keep the market dull.

The trend line of the market still runs upward, however, from the lows of the first of the month. Stock prices have had three major periods of weakness since that time, and in each case sufficient buying has been attracted to end the recession well above the previous low point, as the chart below shows. On the upward side, prices have not broken through the resistance points of May 8 and June 27. When stock prices break out of this range, it will be a signal likely to galvanize traders into action.



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## Bond Market Dull, New Issues Few

DULLNESS ruled the bond market this week, its reign broken only by fluctuations in foreign issues. The volume of trading dropped to an unusually low level and new-issue business crawled along at the same slow rate.

Domestic bonds of leading industrial groups showed little change in price, as indicated by the chart on this page. Utility issues, most favored by ultra-conservative investors, moved into the highest territory of recent weeks for a slight gain.

The average level for industrials is practically unchanged. Within the railroad list, considerable fluctuations occurred due to the quite varied conditions of the carrier companies (page 15). The average fluctuated in a narrow range.

### Little Change

Some strength appeared in the very highest rated domestic bonds according to Moody's compilations. Less highly rated issues showed virtually no change from last week.

The foreign list moved steadily upward during the early part of the week on hopes of positive action from the London conference. Like the stock market it reacted sharply downward on the financial community's appraisal of the announced action.

The new-issue business remains almost entirely confined to public utilities

and the various state and local governmental units. The only exception this week was the \$5-million foreign issue for the Province of Manitoba. Two \$15-million issues, one each for People's Gas Light & Coke and Public Service of Northern Illinois, were largest of the offerings.

### Utilities Favored

Of the 4 large groups of institutional bond buyers, 3 continue to concentrate upon bonds of governmental units and public utility companies. This trend is an important reason for greater weakness in other groups and for the continuing limitations of the new-issue business.

Life insurance companies favored government bonds, with public utilities a close second in the latest week. For the year, to date, the preponderant part of their security purchases has been in these two groups. The same is true of savings banks. Fire insurance companies, on the other hand, have during recent weeks been buying mostly railroad securities, though for the year, to date, their largest investments have been in governments.

Banks outside of New York city have been selling both corporate and government bonds during recent weeks as liquidation has occurred. Their holdings of securities other than governments are now lowest since late February. New York city banks show little change in their investment account for the latest week.



# JAMES W. DUBLIN, Rtd.

*Oh, Lord! Give Us a Plan!*

THE Business Indicator on the front cover of this esteemed journal must fill our nation-builders with mixed emotion. It is stuck at a point that any one of them would be glad to cash as a golf score Saturday and Sunday; but which imparts a melancholia on Monday, Tuesday, Wednesday, Thursday and Friday when the orders don't come in.

Still, all is not despair. Deep compensatory forces are at work; our country is not forsaken; out of the groanings of depression we are giving birth to Art. At least Art is something. Art is good for people—when they cannot have business.

This is the land of endless surprise and, if I see right, we are creating the very last thing anyone would expect. It's a ballet—genuine American Ballet. In the past we gave our ballet trade to the Russians. Now we are rolling our own.

\*\*\*

The American Ballet is conceived after the classical pattern, but the substances are native to our peoples. The theme is simple—the old, familiar pursuit-theme. There are satyrs. Up-to-date satyrs (puffing and a little out of training) dressed in frock coats. The satyrs each have a plan and they chase industrial maidens through machine shops. The industrial maidens crawl beneath the benches or hide behind dynamos. The satyrs desire to give the maidens a plan. The maidens think the satyrs are process servers and that is why they are frightened.

This is all nice, clean fun. It is good entertainment with no small educational value. It sharpens our perceptions of what the U.S.A. does NOT want.

\*\*\*

Thus, through Art, we progress in understanding. If this slump is prolonged America will become almost as well acquainted with itself as the German nudists. Already we have discovered that business is not scientific. A little spell back it said it was. Now we know it was only wearing a masquerade suit. Business was never scientific. It only exploited science and made ad testimonials out of it.

As an ex-advertising man I have my dank doubts about the American market for plans. For one thing I have seen too many planned advertising campaigns converted into confetti before they even

got to the public. For another, all the plans on display have something missing in the upper right hand corner. This absent element is beyond any description, but it should be chemic, not mechanical, some sort of herb-tea that gives the prospect a state of mind. You cannot sell anyone a plan unless you sell him a state of mind first. That is why Mr. Alfred Sloan, Jr., for instance, is not signing up for a Ford.

\*\*\*

This punishment of plenty we are going through has given us a very impressive close-up of the American temperament. We are revealed to ourselves as a nation of ad libbers with an exuberance for the extemporaneous. We love to sit down at the melodeon and improvise.

Nobody knows our penchant for playing by ear better than Wall Street. The mercenary mammals down there handle the situation by cutting the U.S.A. up into quarters and making the business boys give an audition every 3 months. And this is the nearest thing we have to a plan at this writing.

Personally I regret the anti-plaa disposition of my people, because I (this is confidential) have a plan myself to lay on the table. And, while pretending to be no more than a back-porch economist, I think well of it.

\*\*\*

My notion is that the smallest unit of planning must be a single industry and all of it. Let the government choose one industry and tell the industry to go ahead and plan. The government must not sit on this industry's chest and shut off its wind; but, rather, hold its hand and even let it break a few laws if necessary.

I refrain from further details because immediately a question arises. What industry shall we pick? If we take one that is tired of life and wants to end it all, this candidate won't have any sap in it to feed the new program. On the other hand if we take an industry that's full of spunk and virility and try to pin a plan on it, this one will make a noise like an innocent victim being dragged to the electric chair.

So I don't know.

But I do know the final reason why we are plan-shy. Secretly we believe another whirl of prosperity is not far off—and a plan might cramp our style.

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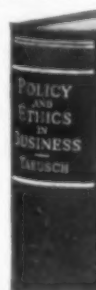
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# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

July 29, 1931

## E Pluribus

THE Conference of Smaller Industries, which the imagination and individual initiative of Mr. Harold Browne and his associates will assemble at Silver Bay, N. Y., early in August, offers to American business a kind of oasis in the desert of diplomatic sandstorms, a refuge from the financial typhoons that are sweeping the world this summer. This first effort of the executives of smaller industrial concerns to consider their common problems in conference stands in refreshing contrast to the remote palavers of European politics which have occupied our attention in recent weeks.

It is not provincialism to say that these European problems are of astronomical rather than terrestrial importance. Significant as these snarls of interstellar financial space may be which the Einsteins of European diplomacy are trying to untangle, American business after all has its own problems and possibilities, and in the end our thought and effort must return to our own intimate affairs if we are to establish secure prosperity in these States.

Nations, governments are abstractions; men at work—or out of work—are the only realities of politics and finance. Those whom this conference at Silver Bay will call together represent what is still the ultimate reality in American business—those 190-odd thousand smaller manufacturing concerns which, despite our economic megalomania, still constitute the bulk of our industrial enterprise. For every plant employing over 500 workers, there are seventy with fewer employees, yet these are the employers of over 60% of our industrial workers.

In these days of doubt, when there are many signs of reaction against the tendency to spread oneself too far and too thin, this great array of obscure and unsung individual enterprise has suddenly become of special importance for the present and of reassuring significance for the future. Here is the seed bed of individual ini-

tiative out of which the finest fruit of industrial accomplishment has grown. Here also may be the solution of that problem of stability without centralized control which those who still have faith in capitalism are seeking. Just as in agriculture a return to the self-sufficient farm enterprise may be the solution of the problem of rural welfare, so in industry the factors of flexibility and diversity in the small plant with light overhead burdens may contain the secret of stable prosperity in this self-sufficient nation.

Certainly there are many signs that the problems and opportunities of the smaller enterprise in every field are being forced to the forefront in our economic policies. The Agricultural Marketing Act, the recent Supreme Court decision in the Indiana chain store tax case, the agitation for more liberal interpretation of anti-trust laws in application to trade association activities all point in this direction. In the technological aspect, it is being realized that mere size no longer gives a monopoly of efficiency in production under intelligent management, and in the marketing aspect, that standardized mass production has its drawbacks where high standards of living put a premium on individuality of products.

As the interests of small business are slowly but surely segregated from those of "big business," there will be increasing need for cooperative consideration of common problems and more concerted action upon them. Questions of management, problems of personnel administration, equipment modernization, marketing methods, price and wage policies never before studied intensively from this special angle can be profitably considered in closer cooperation. The Silver Bay Conference is a starting point in this hopeful process.

It means that American business is coming home again at last, to turn its attention to the tasks that lie nearest its true interests.

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